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Weekend

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SECTION II

World Business Newspaper <http://www.FT.com>

WEEKEND DECEMBER 7/DECEMBER 8 1996

The FT's 12-part series continues on Monday
FT Mastering Enterprise
Part Four: Key financial foundations

Serbs give hint of climbdown as EU pressure grows

Serbia's regime showed signs of giving ground to the opposition after nearly three weeks of steadily growing street protests and international condemnation, but opposition leaders were pessimistic about an early compromise with President Slobodan Milosevic (left). Belgrade's supreme court agreed to reconsider its decision to cancel the opposition's victory in the Belgrade municipal elections as European Union foreign ministers stepped up pressure by refusing to grant trade concessions extended to other former Yugoslav republics. Page 24

Make dispute worse: Fears of a trade row between the European Union and the US over genetically modified maize rose after allegations that shipments of the US grain may have entered the union in breach of EU rules. Page 2

Oil slips on news of Iraqi resumption: Oil prices tumbled on news that Iraq may resume petroleum exports next week. Brent Blend fell more than 60 cents a barrel before recovering in late London trading to around \$24.25, down 38 cents on Thursday's close. Page 3

Electrolux to merge N American arms: Electrolux of Sweden, the world's biggest supplier of household appliances, said it was merging its white goods and gardening equipment operations in North America to create one of the highest consumer goods companies in the US, with an annual turnover of \$3.6bn. Page 6

Cellenergy raises bid for Northern US: Independent power producer Cellenergy raised its hostile offer for UK electricity company Northern Electric by 20p to 650p and declared it final. The bid values Northern at \$782m (\$1.2bn). Page 6

BTR bucks trend: Industrial conglomerate BTR became virtually the only company in the FTSE 100 index to buck the slide in the market. After issuing a confident trading statement, its shares rallied 7p to 287 1/2p. Page 8; Lex, Page 24

Go-ahead for \$2bn Caspian pipeline: Nine oil and gas companies and three governments signed a long-awaited deal to go ahead with the construction of a \$2bn export pipeline linking the oilfields of Kazakhstan to world markets. Page 24

France attacks Maastricht draft: France attacked Ireland's draft revision of the Maastricht treaty as "madness", souring the atmosphere ahead of next week's EU summit in Dublin. Page 2

Airbus gives Alenia role in small jets: Airbus Industrie, the European aircraft manufacturing consortium, opened the way to closer collaboration with Alenia of Italy by giving it a key role in a 100-seat jet it is developing with Asian partners. Page 2

Paris mayor's wife in funds probe: The wife of the mayor of Paris was placed under formal investigation for misuse of public funds and a leading party fundraiser was in custody in a probe of public contract kick-backs. Page 2

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World markets suffer frantic day

Fed chairman's remarks cause big equity losses as traders fear rate rise

By Philip Coggan in London, Gerard Baker in Washington and Lisa Brannan in New York

Greenspan's key words — Page 3
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World financial markets suffered a "frantic Friday" yesterday as comments by Mr Alan Greenspan, the Federal Reserve chairman, about "irrational exuberance" in asset markets unsettled traders and investors.

The implied threat behind the comments was that the Fed might, at some point, have to raise rates to cool such sentiments and to head off inflationary pressures.

Asian markets were the first to take fright, with the Nikkei 225 average in Tokyo falling 687.2 points, or 3.2 per cent to 20,276.7, its biggest one-day decline since April 1995. Hong Kong, which because of its link to the US dollar is closely tied to US interest rates, also suffered, with the Hang Seng index dropping 2.9 per cent.

Europe followed suit. At their worst, the German and French stock markets were down 4.7 per cent and 4.9 per

cent respectively while Amsterdam dropped 6.2 per cent. In London, the FTSE 100 index was 188.5 points, or 4.2 per cent, lower at its worst.

The sell-off carried over into the US where, just after Wall Street opened, the Dow Jones Industrial Average shed more than 145 points. But US payroll data eased fears of inflationary pressures and by 3.30pm New York time, the Dow was 44.35 points lower at 6,382.75.

Mr Greenspan made his remarks in a speech on Thursday evening on developments in US monetary policy. He suggested the central bank was paying close attention to the recent surge in US equity markets. Assessing movements in asset prices, he said, had to be an "integral part" of monetary policy.

Black mood in the markets after Greenspan sparks a sell-off



"How do we know when irrational exuberance has unduly escalated asset values, which then become subject to unexpected and prolonged contractions?" he said.

The Fed has not changed short-term interest rates since it lowered them at the start of the year, as inflation has remained low and wage pressures slight. But some officials have been concerned about the implications of the rising stock market for the rest of the economy.

It was the Labour Department's employment report for November, which showed a jump in unemployment that eased investors' fears a little.

Over the last three months, payroll gains have averaged 113,000 per month, less than half the pace earlier in the year. The figures were in line with other recent evidence that suggested growth has slowed to a more sustainable

Continued on Page 24

NTT urged to lead Japanese expansion

By Michio Nakamoto and William Dawkins in Tokyo

Mr Ryutaro Hashimoto, the Japanese prime minister, yesterday urged Nippon Telegraph and Telephone, the dominant domestic telecommunications company, to lead Japan's overdue expansion into the international market.

"Japan should no longer lag behind in international telecommunications," he said. His comments followed Thursday's announcement that NTT, one of the world's largest carriers, would be allowed to sell international services for the first time.

The group, with turnover of ¥7,908bn (\$69.9bn) last year, is to be broken up by March 1999 into a long-distance and international carrier, plus two regional companies, under a holding company.

The move is a response to growing concern among policymakers that the ban on NTT offering international services is impeding Japan's competitiveness on the global information highway.

NTT is the only national carrier in the industrialised world to be denied access to foreign markets, a consequence of the government's decision in the 1950s to give KDD, its former international unit.

NTT's share price rose sharply yesterday to a new

UK puts conditions on pact between airlines

By Stefan Wagstyl and Ross Tisman

The UK government yesterday gave conditional approval to the controversial planned alliance between British Airways and American Airlines, which would create the world's biggest airline partnership.

Mr Ian Lang, trade and industry secretary, said the proposed pact would not be referred to the UK competition authorities if the partners accepted conditions. These include the surrender of 168 take-off and landing slots a week at London's Heathrow airport. These would be awarded to rival carriers to promote competition.

British Airways and American Airlines would give up slots

Mr Lang's move was widely seen in the City of London as striking a balance between promoting competition and avoiding excess damage to BA's interests.

The announcement could pave the way for the successful conclusion of the long-running US-UK open skies talks about liberalising air links, in which American negotiators have demanded better access to Heathrow for US airlines.

BA was conciliatory last night, saying: "We have always accepted that carriers will need adequate access to Heathrow...BA has indicated

that it is prepared to take reasonable steps to assist the introduction of additional competition."

United Airlines, one of several airlines protesting about the proposed tie-up, said Mr Lang had not gone far enough "to ensure a competitive balance at Heathrow".

Virgin Atlantic, Mr Richard Branson's airline, said the alliance would be uncompetitive whatever conditions were imposed.

co-ordinating schedules and sharing flight codes. It needs approval from the UK, US and European Union competition authorities, and it also hangs on agreement in the open skies talks.

The latest three-day session of these talks ended in London last night without agreement, but airline executives believe Mr Lang's statement could lead to an early resumption.

Mr Lang said he accepted the advice of the Office of Fair Trading that the alliance should be referred to the competition authorities unless undertakings were given to

safeguard competition. "Without suitable undertakings the alliance would be likely to lead to a significant loss of actual and potential competition, particularly for time-sensitive, mainly business, passengers on those routes where BA and AA currently compete and for all passengers on the transatlantic market," he said.

While an open skies agreement would help competition, there was a risk the proposed alliance would create barriers to entry, he said.

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Survival of Major put under threat

By George Parker, Political Correspondent

The ability of Mr John Major, the UK prime minister, to survive in government until next May was placed in further doubt yesterday when a veteran Conservative MP withdrew his support, and others warned they might join the majority.

The decision of Sir John Gort, an MP for a north London constituency, technically removes Mr Major's House of Commons majority of one, at the end of a disastrous week of infighting over Europe by the ruling Conservatives.

Sir John is angry about the government's decision to run down services at a hospital in

his north London seat.

His decision to ignore his party managers underlines the breakdown of discipline in the party. Two other London MPs warned they might follow his example.

Sir John is now technically counted as a member of the opposition, and his decision means Mr Major's majority of one becomes a minority of one. The situation for the Tories will worsen on Thursday if the opposition Labour party wins, as expected, a by-election contest in the north of England.

Labour yesterday insisted the new parliamentary

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STOCK MARKET INDICES

| | | | |
|---------------------------------|-----------------------|-------------------------|-------------------------|
| FTSE 100: 3,993.0 (-0.2) | US LUNCHTIME RATES | STERLING | DOLLAR |
| Yield 4.82 | Federal Funds: 5 1/4% | New York: 1.6425 | New York: 1.5422 |
| FTSE 100: 1,467.18 (-0.5) | 3-m Treas: 5 1/4% | London: 1.6425 | DM: 1.52 |
| FTSE All-Share: 1,942.22 (-1.1) | Long Bond: 6 3/4% | London: 1.6417 (1.6278) | FF: 1.5237 |
| Nikkei: 20,276.7 (-3.2) | Yield: 6.539% | DM: 2.2028 (2.5302) | SF: 1.5275 |
| New York: 6,382.75 (-4.2) | | FF: 8.5208 (8.5408) | London: 1.5404 (1.5547) |
| Dow Jones Ind: 6,373.25 (-4.3) | | SF: 2.1449 (2.1441) | DM: 5.1979 (5.2522) |
| S & P Composite: 737.50 (-7.28) | | FF: 105.056 (103.158) | SF: 1.3082 (1.3174) |
| | | Y: 112.71 (112.54) | |
| | | Index: 97.7 (98.0) | |
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Paris mayor's wife under investigation



New worries for Jean Tiberi

By David Buchan in Paris
The ring of judicial inquiries yesterday tightened around the hierarchy of France's ruling Gaullist party. The wife of the mayor of Paris was placed under formal investigation for misuse of public funds and a leading party fundraiser was still held in custody in a probe of public contract kick-backs in the French capital.

Several magistrates, who have shown themselves increasingly independent of political power, have been investigating local public contractors and politicians for various forms of false billing, inflated contract commissions and payments for bogus work in and around Paris. The city has long been a Gaullist stronghold. President Jacques Chirac was its mayor from 1976 to 1995. Many earlier corruption investigations focused on the Socialists.

Mrs Xavière Tiberi, wife of Mr Jean Tiberi, who succeeded Mr Chirac as mayor, is alleged to have received an FRF200,000 (\$88,000) for a report on the impact of French political decentralisation on the department of Essonne. She is not a noted authority on the subject and is alleged to have copied much of her 36-page report out of a book. Mr Xavier Dugoin, the RPR president of the Essonne department council, was also placed under investigation yesterday.

Allegations of Gaullist mismanagement of Paris first surfaced during the 1995 presidential campaign. In particular about prime city-owned apartments being rented to politicians and their families. But the arrival of the Tiberis has added a new dimension. Mr Tiberi's two sons were revealed to have rented out their own flats and taken to living in cheaper city housing instead, and one of the sons turned out to be still on the payroll of Air France while working as chief aide to the minister responsible for parliamentary relations.

But Mrs Tiberi's "consultancy" activities - and the lengths to which Gaullist ministers were apparently ready to stifle judicial investigation of them - have proved surreal. Earlier this autumn, the Essonne prosecutor who had taken no action on Mrs Tiberi's dossier went mountain climbing in the Himalayas. His deputy, who had once worked for a Socialist justice minister, took advantage of his boss' absence to launch a preliminary inquiry.

Alarmed by such judicial activism, the government instructed the French embassy in Nepal to hire a helicopter and to find the climbing prosecutor. In the hope he would swiftly call his deputy to order. But the errand prosecutor was not contacted in time, and the government was left with an expensive helicopter bill and a potentially embarrassing case in train.



Xavière Tiberi: faces probe

Alenia wins key role in new Airbus aircraft

By John Simkins in Milan

Airbus Industrie, the European aircraft manufacturing consortium, has opened the way to closer collaboration with Alenia of Italy by giving it a key role in 100-seat jet that it is developing with Asian partners.

It common cockpit technology to its A320 series. Alenia, part of the Finmeccanica industrial group, will also be invited to participate in new Airbus aircraft, and derivatives of existing aircraft, including the proposed A340-600 and the A3XX super-jumbo.

Under an accord signed yesterday, the European interest in AE100 will be transferred into a new Airbus subsidiary. Alenia will hold 38 per cent of the subsidiary. Existing Airbus partners will share the balance. The agreement also brings Dassault and CASA into the AE100 development.

Alenia is already a collaborator in an Airbus military arm set up to develop a military transport aircraft for European armed forces. Projects include the Future Large Aircraft (FLA), the military transporter seen as a competitor to the Hercules of Lockheed Martin of the US.

Alenia said it foresees that this would lead to it entering an eventual Airbus company once transformation from the present consortium was complete. Airbus decided in principle earlier this year to change its status to become a company.

Alenia, which has been seeking for some time to step up co-operation with Airbus, said that the money it invested in the programmes would be treated as a "joining fee" to such a company.

An important milestone has been achieved in the process of integration of European aeronautics, said Mr Giorgio Zappa, chairman of Alenia.

French foreign minister says Irish text reflects mediocre state of negotiations

By Lionel Barber in Brussels

France launched an attack on Ireland's draft revision of the Maastricht treaty yesterday, souring the atmosphere ahead of next week's EU summit in Dublin.

Mr Hervé de Charette, French foreign minister, said the Irish text reflected the "mediocre state of negotiations" and criticised its lack of ambition.

Despite Mr de Charette's outburst, most EU foreign ministers said the Irish presidency's text would serve as a useful basis for the next round of talks.

Mr Malcolm Rifkind, UK foreign secretary, said the 140-page document reflected the differing views "in a fair and comprehensive way", while the proposals for strengthening EU foreign

and security policy were "encouraging". But Mr Rifkind added that the draft employment chapter "will not create a single job" and that Britain would reject calls to scrap all internal border controls by 2001 as part of a new EU-wide drive for freedom of movement of people inside the Union.

Mr Rifkind was speaking at a meeting of EU foreign ministers in Brussels which offered a foretaste of the debate among EU leaders on the Maastricht 2 treaty at next week's summit in Dublin.

Early next week, France and Germany are due to produce a joint letter setting out ideas for the EU's intergovernmental conference, including vexed subjects such as "flexibility" and the reform of institutions.

France attacks new Maastricht draft

Mr de Charette, foreshadowing the Franco-German letter, said work so far was "mediocre", lacking in ambition and insufficient to allow the EU to adapt its institutions and decision-making to cope with enlargement to the east.

"Things are not moving in the IGC," he said, though he quickly praised the Irish presidency for its efforts. Mr Klaus Kinkel, German foreign minister, said the draft showed that progress had been made. Parts of the draft were "ambitious", but there was a considerable need for more discussion. Italy pronounced the text "satisfactory", while open to further improvement.

EU leaders have set a deadline of next June to wrap up the revised Maastricht treaty. Mr de Charette, however, said France would take as long as necessary. He declined to say how he reconciled this "wait-and-see" attitude with the French government's insistence on meeting the June 1997 deadline.

A referendum in Denmark to approve a revised Maastricht Treaty has become more likely following the publication of the draft revisions by the Irish government, according to Danish commentators, Hilary Barnes writes.

"The draft makes some concessions to Denmark, but it also contains a number of things which we do not like," said Mr Niels Helveg Petersen, foreign minister.

Under the rules of the Danish constitution, a referendum would have to be held if the revised treaty involved devolution of sovereignty to the EU - unless a five-sixth majority in favour of the revisions could be obtained in the Danish parliament.

The Irish draft's proposal to extend the European Commission's authority in trade matters and to make the EU a "legal person", giving it powers to conclude international agreements, appear to involve an additional transfer of sovereignty.

Brussels warning over US maize

By Caroline Southey in Brussels

Fears grew yesterday of a trade row between the European Union and US over genetically modified maize, after allegations that shipments of the US grain might have entered the union in breach of EU rules.

The European Commission confirmed that it wrote to member states a week ago warning that genetically engineered maize might have entered the EU, mainly through ports in Antwerp, Rotterdam, Lisbon and Barcelona. The letter warned EU countries that it was their responsibility to prevent the maize being brought into the EU.

However, a US official vehemently denied any knowledge that shipments of the maize had arrived in EU exports. "We have been tracking the movement of grain and we have not found evidence of such shipments," a US official said.

Trade officials added that it would not make "economic sense" for US maize exporters to ship grain to the EU to work to the EU's annual quota system came into operation. Under the quota regime, which is normally triggered in the last two weeks of December, the US can sell 2.5m tonnes of grain into the EU duty free.

US officials said Washington was "trying to remain calm" but would press the Commission for proof if the allegations persisted. The comment reflects Washington's increasing frustration over the EU's inability to decide whether to approve the modified maize.

The maize was developed by Cibus Geigy, the Swiss chemicals group, and is resistant to European cornborer pest. Cibus first lodged its application for EU approval in November 1994.

The European Commission is expected to make a decision on December 18 after it has received advice on the safety of the maize from three EU scientific committees. The Commission deferred a decision last month, reflecting heightened sensitivities in Europe over food safety in the wake of the crisis over mad cow disease. Environmental groups argue that the "marker gene" used in the Cibus maize could undermine effectiveness of an antibiotic used in animals and humans.

German companies sceptical on Emu

Nearly half the companies in Germany's most populous states believe economic and monetary union will do them more harm than good and only 15 per cent have taken concrete steps to prepare for the single currency, an authoritative central bank survey disclosed yesterday.

In a poll of 611 mainly large and medium-sized companies in North Rhine-Westphalia, the state's Düsseldorf-based central bank found widespread scepticism about whether Emu would start as planned on January 1 1999. Only 51.6 per cent thought the single currency would begin on time, while 51.1 per cent expected to profit from the project.

"Our survey shows a continuing high level of uncertainty among the state's businesses and serious concerns about the stability of the euro," said Mr Reinhold Jochimsen, president of the state central bank, at North Rhine-Westphalia and a member of the Bundesbank's decision-making council.

Mr Jochimsen strongly criticised EU leaders for deciding against the thorough examination of member states' readiness for Emu that should have taken place by the end of this year under the Maastricht treaty. The examination "would have produced more clarity about the interpretation of the convergence criteria and created a more

reliable base for decision-making among the companies affected," he said.

The central bank's survey covered companies with a total of 2.6m employees but deliberately excluded the banking sector, which in Germany is well advanced in preparing

for Emu. The poll was based on interviews with businessmen by the state central bank's directors and is significant because North Rhine-Westphalia, with a population of 17.8m, is Germany's biggest state by far and might be expected to benefit from greater European integration

because of its borders with the Netherlands and Belgium. Industrial companies, which accounted for 57 per cent of respondents and employ 1.5m, were more enthusiastic than the trading or construction companies polled. Just over 80 per cent of industrial companies thought Emu would start on schedule while two thirds thought it would be good for their business. By contrast only 32 per cent of trading companies and 18 per cent of construction groups saw a net benefit from the single currency.

Emu was clearly favoured by big companies: 69 per cent of those employing more than 1,000 people expected it to start on time and 67 per cent expected net benefits, largely through a reduction in exchange rate fluctuations and an end to the cost of exchanging currencies. Half the smaller companies saw no net gain from Emu, with many expressing fears of higher inflation and interest rates.

Mr Jochimsen said he was 90 per cent certain that Emu would begin on time and it would be a mistake to delay the project now. But he said EU leaders must be prepared for the possibility of delay in spring 1998 if it became clear that it would be impossible to create an Emu that was stable and sustainable.

Peter Norman

Mr John Bruton, the Irish prime minister (above left with German Chancellor Helmut Kohl), said yesterday he was optimistic that debate over Germany's demands for an economic and monetary union stability pact could be resolved swiftly, Ralph Atkins reports from Bonn. After a meeting in Bonn with Mr Kohl he said that "98 per cent agreement has already been reached" between finance ministers and that there was widespread consensus behind Germany's wish to create a "hard" single currency.

Mr Bruton said he expected little conflict at next week's Dublin summit over UK concerns about economic and monetary union because Mr John Major, the UK prime minister, had already negotiated an opt-out.

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Row over Lower Saxony pay deal

By Ralph Atkins in Bonn

Employers' leaders yesterday voiced serious concerns over the pace of economic reform in Germany after a landmark pay deal in Lower Saxony threatened to override efforts to cut labour costs and overhaul the country's generous sick pay provisions.

Mr Hans-Olaf Henkel, president of the federal association of Germany industry, said the Lower Saxony deal - which retains sick pay at 100 per cent of wage levels - would do nothing for job creation and would leave Germany "totally isolated".

Reform of sick pay has been an important part of structural reforms attempted by Chancellor Helmut Kohl's ruling coalition in Bonn. Legislation earlier this year allowed payments to be cut to 80 per cent of wages but attempts by big businesses to take advantage of the change sparked protests against groups such as Daimler Benz, the motor and defence concern.

Many MPs in the ruling Christian Democratic/Christian Social Union blame the level of provision for putting Germans at the top of the world league for numbers of days taken sick.

The Lower Saxony deal applies to only 90,000 workers in the electrical and metal industry but unions hope it will provide a model for deals across Germany.

Bonn reaches tax compromise

By Peter Norman in Bonn

Germany's government and opposition yesterday compromised on a long-disputed package of tax changes due next year, but reached no agreement to abolish the local trading capital tax which has been branded a job killer.

After 10 hours of negotiations, legislators in the special conciliation committee of both houses of parliament agreed to reform inheritance tax, increase the tax on property transfers and make other detailed tax changes that will result in Germany's federal states receiving DM6.1bn (\$5.2bn) in revenue next year.

These will largely compensate for the DM9.3bn which the states will lose through the decision of the government not to levy wealth tax from the start of 1997.

It will also make it easier for Germany to meet the Maastricht criteria for economic and monetary union next year.

Row over Lower Saxony pay deal

By Ralph Atkins in Bonn

Employers' leaders yesterday voiced serious concerns over the pace of economic reform in Germany after a landmark pay deal in Lower Saxony threatened to override efforts to cut labour costs and overhaul the country's generous sick pay provisions.

Mr Hans-Olaf Henkel, president of the federal association of Germany industry, said the Lower Saxony deal - which retains sick pay at 100 per cent of wage levels - would do nothing for job creation and would leave Germany "totally isolated".

Reform of sick pay has been an important part of structural reforms attempted by Chancellor Helmut Kohl's ruling coalition in Bonn. Legislation earlier this year allowed payments to be cut to 80 per cent of wages but attempts by big businesses to take advantage of the change sparked protests against groups such as Daimler Benz, the motor and defence concern.

Many MPs in the ruling Christian Democratic/Christian Social Union blame the level of provision for putting Germans at the top of the world league for numbers of days taken sick.

The Lower Saxony deal applies to only 90,000 workers in the electrical and metal industry but unions hope it will provide a model for deals across Germany.

These will largely compensate for the DM9.3bn which the states will lose through the decision of the government not to levy wealth tax from the start of 1997.

It will also make it easier for Germany to meet the Maastricht criteria for economic and monetary union next year.

The conciliation committee negotiations finished early yesterday with an incomplete settlement between the parties from Chancellor Helmut Kohl's governing coalition, which have a majority in the Bundestag, and the opposition Social Democrats, which control a majority in the Bundesrat, the second chamber of the Bonn parliament representing the states.

Sino-US discord on textiles

Chinese and US negotiators have failed to reach a compromise on renewing a bilateral textiles pact due to expire at the end of the year, Rita Hayes, the top US textiles negotiator, left Beijing yesterday following four days of talks. Negotiations are to be resumed later in the month. China has been seeking to modify the terms of the 1994 pact, which limits growth of its textile exports to the US. Officials at China's Ministry of Foreign Trade and Economic Co-operation were also unwilling to disclose if, in the wake of the talks, curbs on some US exports would still go into effect as scheduled next week. The curbs were threatened in retaliation for \$19m of penalties imposed by Washington on Chinese textiles, for alleged avoidance of quota restrictions.

No pact on biological weapons

Resistance by developing countries has thwarted an attempt by western nations to conclude a binding pact by 1998 aimed at detaching violations of a United Nations treaty banning biological weapons. A two-week conference in Geneva of the nearly 140 treaty members ended yesterday with agreement simply to develop a verification accord "as soon as possible" before the next review conference in 2001.

The 1972 treaty has no provisions to check compliance. Officials have been working on a verification protocol since 1994 but countries are split on the scale and intrusiveness of anti-cheating measures. Some developing countries fear on-site inspections could be used for access to military facilities.

Mexico sells \$1.4bn railway

The first major privatisation of President Ernesto Zedillo's two-year-old government has been completed with the sale of Mexico's 4,000km North-east Railway network to Kansas City Southern Industries, the US rail carrier, and Transportación Marítima Mexicana (TMM), Mexico's leading shipping company.

The partners paid 11bn pesos (\$1.4bn) for 80 per cent of the network. The remainder is to be sold on the stock exchange within the next two years.

The winning bid surprised many analysts as it was almost three times that of other contenders. The profit-making North-east Railway, which links the US-Mexican border to Mexico's three largest cities and ports on the Pacific and the Gulf coasts, carries 40 per cent of Mexico's rail freight.

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It ain't what you say, it's the way that you say it

Gerard Baker on how two words from Alan Greenspan sent world equity and currency markets into a nosedive

Few people in the world choose their words as carefully as central bankers. Every phrase and nuance of everything they say is scrutinised by financial markets. Billions of dollars can be knocked off the value of assets by a single stray adjective.

So when Mr Alan Greenspan, the chairman of the US Federal Reserve, talked on Thursday about "irrational exuberance" in stock markets, you can be certain he was not simply exploring interesting new frontiers of rhetoric. He was up to something.

In the frenzy of selling yesterday that followed the Fed chairman's remarks, it was not always clear what Mr Greenspan had actually said. In the speech, about the current challenges facing monetary policy-makers, he did not say equity prices were now being driven by irrational behaviour. He merely posed the question: "How do we know when irrational

exuberance has unduly escalated asset values, which then become subject to unexpected and prolonged contractions...?"

Mr Greenspan was, on the face of it, simply restating orthodox central bank policy that due weight should be given to the movement of asset prices when forming monetary policy judgments. But it was the timing of the remarks that made them so critical.

For almost a year, US monetary policy has been on hold. Occasional fears that the Fed might raise interest rates to restrain inflation have repeatedly proved unfounded. The main reason the Fed has not acted is that, in spite of continuing growth in demand and tightening labour markets, there has been little evidence from the main indicators that prices are beginning to accelerate. The rate of increase in the consumer price index has hovered around the 3 per cent mark for most of 1996,

and there has been little significant upward movement in the factors that feed it: wholesale prices, raw material costs or labour costs.

But Mr Greenspan has now given warning that those traditional measures of inflation are not the only ones the Fed is considering as it determines the next move in interest rates. In his speech, he talked about the shortcomings associated with the conventional price indices and he acknowledged that the growing complexity of markets rendered the figures less useful than in the past. And he said movements in asset prices were important, since they simply represented prices of claims on future goods and services.

"Evaluating shifts in balance sheets generally and in asset prices particularly must be an integral part of the development of monetary policy," he said.

Investors interpreted the speech as a warning shot

across the bows and sold equities heavily. "It's now clear Mr Greenspan is less concerned about the traditional measures of inflation and more concerned with the way the financial markets have been behaving," said Mr Ned Riley, chief investment officer at the Private Bank at the Bank of Boston.

Also significant was the Fed chairman's allusion to the Japanese experience of the last decade. Asset prices there rose rapidly in the late 1980s to unsustainable levels, and promptly collapsed in the early 1990s, pushing the economy into its worst recession for 50 years. Mr Greenspan's citation of Japan is especially apposite, since while asset prices there were accelerating, standard indices of inflation in goods and services showed little upward movement. The Bank of Japan was subsequently widely criticised for having failed to act faster to stop the "bubble



Alan Greenspan: merely posed a question

Prices tumble on brink of Iraqi oil sales

By Robert Corzine in London and Michael Littlejohns in New York

Oil prices tumbled yesterday on news that Iraq may resume petroleum exports by the middle of next week.

Brent Blend, the North Sea crude that serves as a global price benchmark, fell more than 60 cents a barrel at one stage before recovering in late trading in London to around \$24.25, 38 cents down on its close on Thursday.

Oil traders have speculated that prices could fall by a couple of dollars when Iraqi oil moves onto world markets.

The uncertainty of when that will happen was lifted yesterday when officials at the United Nations in New York confirmed that the final administrative hurdle should be cleared within three days.

They said Mr Boutros Boutros Ghali, the secretary general, could soon certify that all the conditions set by Resolution 986, the basis of the oil-for-food plan, have been met.

The first sales contracts are expected to be approved within 24 hours of the secretary general's report.

Mr Edward Ghehm, the deputy US Security Council delegate, warned Iraq's President Saddam Hussein yesterday that implementation of the oil-for-food plan would not make the Security Council any less resolute in seeking Iraq's compliance with all UN resolutions.

He spoke after Mr Rolf Ekeus, head of the UN arms inspection team, reported he

was still being prevented from removing missile engines for analysis in a US laboratory.

Mr Ghehm said UN sanctions would not be lifted "any time soon with the kind of behaviour we are seeing Iraq display today".

Under the oil-for-food scheme Iraq will be able to export \$2bn of oil every six months to pay for essential civilian supplies. Some of the funds will be set aside for reparations to victims of Iraq's invasion of Kuwait. The oil sales will also support the UN arms inspection programme in Iraq.

UN officials voiced confidence last night that more than 1,000 monitors would be able to ensure that Mr Saddam does not violate UN rules.

All financial transactions will be done through an escrow account established by the UN with the Banque Nationale de Paris. More than 150 UN monitors will supervise the food distribution, while 32 international customs officers will check imports, including those going in through Jordan.

The Security Council yesterday received assurances from the Dutch company Saybolt that vital metering equipment was functioning properly after repairs done by the Iraqis.

Ten oil inspectors from Saybolt will monitor shipments in Iraq and four others will be on duty in Ceyhan, the oil pipeline's Turkish terminal, to ensure that Iraq exports are limited to the volumes needed to meet the UN financial target.

Bolivia sells oil industry in \$835m deal

International companies take over 59-year-old state enterprise in novel privatisation

By Sally Bowen in La Paz

Bolivia has joined the handful of Latin American countries which have banded responsibility for developing their oil and natural gas reserves to private enterprise.

In a ceremonial opening of sealed-envelope offers in La Paz, a series of big international oil companies became Bolivia's new strategic partners on Thursday night under the mechanism known as "capitalisation" in a deal worth \$835m.

Under capitalisation, winners acquire a 50 per cent stake in YPF, the state oil and gas company, and full management control. The remaining 50 per cent passes to the Bolivian people in the form of shares, and a local capital market is instantly created. Dividend income from shares traded is earmarked to support a universal pensions scheme to be managed by two private fund administrators.

Unlike standard privatisations which swell treasury coffers, the new partners' contribution goes directly into the former state company as a fresh capital injection.

Capitalisation in effect



puts an end to Bolivia's 59-year-old state oil company, YPF. Although popular opposition has forced the government into retaining a vasty reduced YPF to run three refineries and four small pipelines and negotiate contracts for all practical purposes, management of the Bolivian oil and gas sector is now in private, foreign hands.

The \$835m offered was below some optimistic predictions but above book value of the three units. Most important, the capital injection will markedly increase spending on exploration. For years, and despite its enormous possible and potential reserves, YPF has been unable to invest more than \$60m a year on bringing those reserves into the proven category.

Bolivia's capitalisation

alternative may soon be repeated elsewhere in Latin America. High-level delegations from Haiti (including President René Préval) and the Dominican Republic attended the ceremony. They and other leaders view capitalisation as more acceptable politically than privatisation.

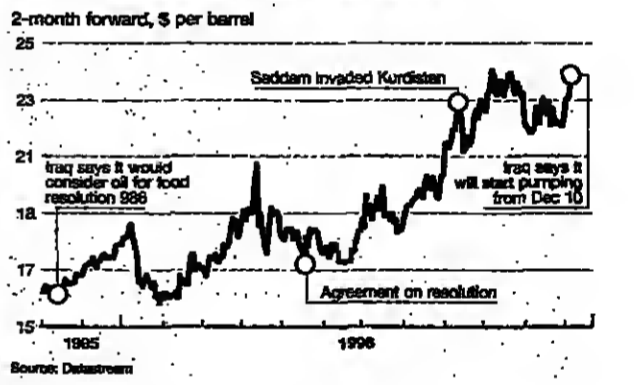
At the end of 1995, Bolivia's reserves of natural gas were estimated at 4,500bn cubic feet. Although that is small by world standards, there is strong demand for Bolivian gas in Brazil, especially in the industrialised area around São Paulo.

marked to support a universal pensions scheme to be managed by two private fund administrators.

Unlike standard privatisations which swell treasury coffers, the new partners' contribution goes directly into the former state company as a fresh capital injection.

Capitalisation in effect

World oil prices: the Iraqi effect



What if the real cost of airline loyalty schemes to your company?

travelling executives were choosing flights which earned maximum points rather than sticking to airlines offering the most economic flights

The Financial Times 7/10/96 (from MORI survey)

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NEWS: UK

Region's top Japanese investor says plant was won against 'stiff competition'

Sony boosts Wales stake by \$82m

By Roland Adburgham in Cardiff

Sony, the Japanese consumer electronics company, is to site European production of widescreen televisions at its two factories in south Wales. The \$82m investment is expected to create nearly 1,000 jobs by 2000.

Sony has been the leading Japanese investor in Wales since it established a plant there in 1973. More than 50 Japanese-owned companies now have production sites in Wales, employing more than 17,000 people. Sony's expansion will be its eighth reinvestment. Its total capital expenditure is put at about \$300m.

Mr Suehiro Nakamura, president of Sony Display in Tokyo, in Wales yesterday to announce the project, said

there was an ever-increasing market for widescreen televisions. Wales had won the investment against "stiff competition" from other Sony plants in Europe.

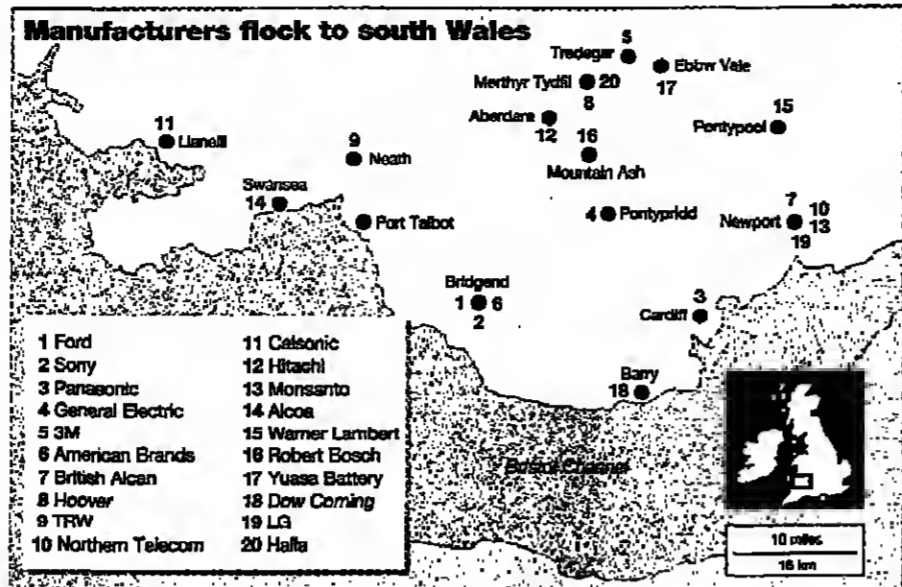
A production line will be installed at Sony's Bridgend factory in south Wales by the end of June to make 28-inch and 32-inch cathode ray tubes. The widescreen televisions will be assembled for the European market at Sony's nearby Penrcoed technology centre.

The expansion is receiving an undisclosed grant from the British government's Welsh Office. It will take the workforce at the Welsh plants to almost 5,000.

Mr Nakamura said the company would recruit engineers, technicians, managers, supervisors and operators. "I have been very happy to endorse this investment because of our success in south Wales and the dedication of the local team."

At present, the Welsh plants produce 2.4m cathode ray tubes a year and 1.6m colour televisions, as well as monitors and decoders. About 85 per cent of production is sold outside Britain.

Mr David Rowe-Beddoe, chairman of the Welsh Development Agency, said



South Wales has been one of the most successful areas of the UK in attracting manufacturing investment from other countries. Mr Jonathan Evans, a minister in the Welsh Office, described Sony yesterday as "the complete and model inward investor".

The project would "maintain Sony in Wales at the leading edge of television technology" and make the twin plants the biggest of the company's 39 operations in Europe.

He said about 40 Welsh-based companies benefited by supplying components and services to Sony.

Mr William Hague, chief minister for Wales in the

British government, said: "Continued investment in Wales by existing companies is the best possible evidence that Wales delivers." He said the expansion marked "an outstandingly successful year for inward investment to Wales, with 13,602 new jobs announced, 2,500 safeguarded, involving an investment of nearly £2.3bn so far".

Adams condemns attacks on Catholics

Mr Gerry Adams, president of Sinn Féin, yesterday condemned continuing attacks on Roman Catholics in and near the Northern Ireland town of Ballymena. He appealed for calm and urged "an end to the concentrated attempt by loyalist elements to intimidate and terrorise Catholics in Ballymena".

Two more Roman Catholic schools were damaged in arson attacks in the area early yesterday, and three people were beaten up and a house ransacked in another attack on a Catholic home in Ballymena.

A classroom was set on fire at St Joseph's Primary School in Aboghill outside Ballymena. A few hours earlier, a fire broke out at St Patrick's College in Ballymena itself.

Meanwhile, members of a Catholic family - a woman, her daughter and a male visitor - were attacked early yesterday when a group of men broke into a house in the town. Police said a number of men entered the house in the night, assaulted the three people and smashed furniture and windows. Two other Catholic homes in the same road were attacked on Thursday, one with a petrol bomb.

The attacks continued despite increased security in the town following Thursday's attacks on Roman Catholic homes and schools. All the attacks have been close to a Catholic church where anti-nationalist "loyalist" protesters have staged protests for the past 12 weeks as worshippers have gone to Saturday night Mass.

Security forces in Northern Ireland said yesterday that marauders found during a search of a house in Belfast were of the type favoured by the IRA in attacks on security forces before its 1994 ceasefire.

Nearly three dozen incendiary devices and some hand-held grenade launchers were also found. All the devices were primed.

Pound steadies after retreat

Sterling steadied yesterday after a volatile week in which it reached post-1992 highs before suddenly retreating in a flurry of profit-taking.

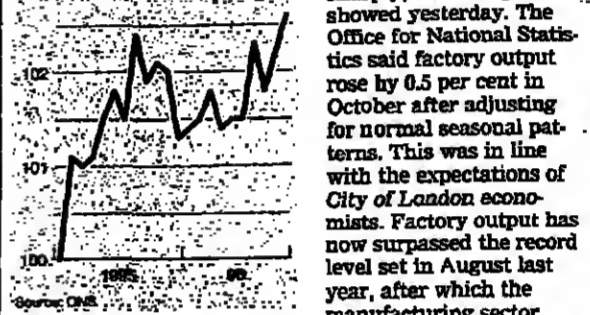
A run of strength in the past couple of months took the pound to its best levels since Britain left the Exchange Rate Mechanism in September 1992. But sterling's rally had started to provoke discontent among the corporate sector because it made exporters less competitive and reduced the profits, in sterling terms, of companies with subsidiaries outside Britain.

Before its slip this week, the pound had gained about 12 per cent against a trade-weighted basket of currencies from its level at the start of August. But in the fickle foreign exchange markets, a currency can go in and out of fashion in an instant. The pound nosedived in the middle three days of the week, losing 11 pence from its peak of DM2.64 to the D-Mark, reached in Asian trading early on Tuesday morning, and almost 5 cents against the dollar since Monday.

Yesterday it rose 1.4 cents against the US currency and softened 0.1 pence against the D-Mark to close in London at \$1.642 and DM2.529.

Philip Coggan, Currencies, Page 10

Factory output beats record



Manufacturers stepped up production in October, with output of durable consumer goods rising sharply, official figures showed yesterday. The Office for National Statistics said factory output rose by 0.5 per cent in October after adjusting for normal seasonal patterns. This was in line with the expectations of City of London economists. Factory output has now surpassed the record level set in August last year, after which the manufacturing sector entered a year-long mini-recession as companies ran down excess stocks of unsold goods. The figures had little impact on interest rate expectations or sterling, with the attention of the financial markets focused on the warning by Mr Alan Greenspan, the US Federal Reserve chairman, about a "bubble" in asset markets.

Robert Choke

Business school sites reviewed

Oxford University is close to completing a review of sites for its controversial new business school which would bypass objections to the £40m (\$65.5m) scheme.

The university is considering a number of locations including an old prison and a car park in the city's historic centre - in contrast to the business school's original greenfield site in the heart of the university. The project is half-funded by Mr Wafiq Said, the Saudi entrepreneur.

A new site would allow the university to escape a repeat of the voting procedures which led to the embarrassing defeat for the business school project last month. The row over the business school and Mr Said's £20m donation has also given new impetus to the university's plans to reform its management structures. A study by Coopers and Lybrand, the accountants, warned in April that Oxford was slow to react to new developments such as research opportunities because of its "complicated and archaic" organisation.

Richard Wolfe, Dons in high dudgeon, Page 9

RAILWAY PRIVATISATION

Third company for stock market

The UK stock market will acquire its third railway company early next month when GB Railways, which was yesterday awarded a seven-year franchise to run Anglia Railways in eastern England, obtains a listing on the Alternative Investment Market.

GB Railways has raised £7m (\$11.5m) through a private placing to finance the purchase of the franchise and expects to list its shares immediately after it takes over on January 5. The management of GB will retain a 20 per cent shareholding. This listing marks an expansion of the publicly quoted railway sector which consists of Prism Rail, a train operator which also has an AIM listing, and Railtrack, owner of the railway track, signalling and stations in the national network, which is on the main market.

Charles Batchelor

LONDON AIRPORTS

Planned noise rules postponed

Proposed tougher aircraft noise rules at London's three biggest airports will be postponed from next month until a court case launched by airlines yesterday is resolved. A High Court judge gave the International Air Transport Association (Iata) permission to challenge new government rules supported by people who live near Heathrow, Gatwick and Stansted airports.

BRITISH AEROSPACE

Jetstream wins \$84m US order

Jetstream Aircraft, the turbo-prop subsidiary of British Aerospace, has been contracted to supply another 12 of its Jetstream 41 commuter aircraft to Atlantic Coast Airlines in the US. The order is worth \$84m.

Competition authorities respond to changes in system of fixed commissions

Probe on share underwriting fees delayed

By John Gapper in London

Mr John Bridgeman, director general of fair trading, yesterday gave financial institutions involved in underwriting share issues by UK companies a further breathing space to avoid a reference to the Monopolies and Mergers Commission.

He said recent rights issues organised by UK merchant banks in which underwriting fees went to tender were the first real sign of market competition, but that these were as yet "tentative steps towards reform".

He would continue to review the market over the next few months to observe progress. However, Mr Bridgeman declared he "would not have hesitated in

The London Stock Exchange yesterday set the date of October 20 next year for the introduction of electronic order-driven trading in the shares of large companies, but allowed an escape clause for technical hitches, John Gapper writes.

It said it would confirm the date three months ahead of implementation to ensure that investment banks were fully prepared to replace the system of trading over telephones on the basis of prices displayed on screens.

Mr Gavin Casey, chief executive of the exchange, said the date was "challenging, but achievable".

referring this market to the MMC had it not been for the recent changes. The Office of Fair Trading's decision comes amid recent signs of innovation in the established system of fixed commissions for rights

issues. This gives a fee of at least 1.25 per cent to investors that act as sub-underwriters for rights issues.

In recent deals led by merchant banks such as Schroders and Kleinwort Benson,

this has been varied by putting some element of sub-underwriting out to tender. This allows investors to offer to sub-underwrite for a lower percentage fee.

BZW, the investment banking arm of Barclays,

has also been seeking support for a method of setting the price at which shares are offered through a market tender. This practice, common in the US, is known as "bookbuilding".

The National Association of Pension Funds said that the OFT decision was "very positive". It said it was "likely to encourage further innovation in market practices for the benefit of companies, investors and London generally".

The OFT also published a survey of the fees charged on 75 rights issues between June 1995 and May this year, which was before the innovations, which was before the innovations. The survey found a consistent pattern of excess returns being made by sub-underwriters.

However, he said the exchange would be prepared to delay if necessary, because the most important thing was to avoid a flawed launch.

"It is much more important that we get it right than that we stick woefully to a deadline. If there is any cause for concern, we will tell everybody," he said.

Mr Casey emphasised the need for extensive customer testing of the system.

Order-driven trading is the latest in a series of technological changes in the City. The implementation of Crest, the new electronic share settlement system, has been hit by a number of hitches.

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Ford and GM lose ground

| REGISTRATIONS OF NEW CARS | Volume | Change* | Share* | Nov 85 Share* |
|---------------------------|---------|---------|--------|---------------|
| Total market | 125,342 | -5.4 | 100.0 | 100.0 |
| UK produced | 53,534 | -18.0 | 39.6 | 46.0 |
| Imports | 71,808 | +8.3 | 60.5 | 53.8 |
| Japanese makes | 17,345 | +6.1 | 12.5 | 11.4 |
| Ford group | 22,968 | -28.0 | 18.7 | 21.9 |
| - Ford | 21,950 | -28.8 | 18.3 | 21.5 |
| - Jaguar | 828 | +8.2 | 0.5 | 0.4 |
| General Motors | 28,347 | -11.5 | 15.0 | 16.1 |
| - Vauxhall | 18,172 | -13.5 | 14.2 | 15.5 |
| - Saab† | 1,175 | +41.4 | 0.9 | 0.6 |
| BMW group | 4,214 | +62.0 | 3.3 | 1.9 |
| - BMW | 4,258 | +63.8 | 3.2 | 2.3 |
| - Rover | 18,409 | -22.8 | 13.8 | 16.7 |
| Peugeot group | 15,347 | +5.1 | 11.3 | 10.2 |
| - Peugeot | 11,037 | +21.9 | 8.2 | 8.3 |
| - Citroen | 4,310 | -22.2 | 3.2 | 3.6 |
| VW group | 11,412 | +14.3 | 8.4 | 7.6 |
| - Volkswagen | 7,508 | +18.5 | 5.6 | 4.9 |
| - Audi | 2,431 | +70.0 | 1.8 | 1.6 |
| - SEAT | 1,473 | +10.6 | 0.4 | 0.5 |
| - Skoda† | 795 | +31.9 | 0.6 | 0.6 |
| Renault | 8,138 | +11.2 | 6.5 | 6.0 |
| Nissan | 5,959 | +0.1 | 4.1 | 4.5 |
| Toyota | 3,910 | -2.1 | 2.6 | 2.5 |
| Fiat group | 6,436 | +35.8 | 4.2 | 3.9 |
| - Fiat | 5,825 | +37.0 | 4.2 | 4.2 |
| - Alfa Romeo | 511 | +18.5 | 0.4 | 0.2 |
| Volvo | 3,236 | +36.9 | 2.3 | 1.7 |
| Mercedes-Benz | 2,833 | +8.1 | 2.0 | 1.7 |
| Honda | 3,083 | +10.8 | 2.3 | 2.4 |
| Mitsubishi | 2,289 | +7.0 | 1.6 | 1.7 |
| Korean makes | 3,153 | +26.9 | 2.3 | 1.7 |

Registrations of new cars fell by 5.4 per cent year-on-year last month, confirming an erratic picture of demand this year with intermittent growth and contraction, Haig Simonian writes.

The November fall out the rise in new car registrations to 3.9 per cent for the first 11 months of this year compared with the same period in 1995. Mr Ernie Thompson, chief executive of the Society of Motor Manufacturers and Traders, said the figures were "disappointing". The society said last month's fall may have been caused partly by the unexpected surge in October registrations to the highest October figure on record.

Gambling industry plans launch of rival to National Lottery

By Scheherazade Daneshkhu and Joel Kibazo

The everyday gambling industry, which runs thousands of "betting shops" across the country, plans to start a rival to the weekly National Lottery this month. The aim is to recover profits lost since November 1994 when the lottery, run by the Camelot consortium, started. The consortium consists of Cadbury Schweppes; De La Rue, the security printers; Gtech, the US lottery equipment company; Rascal Electronics; and ICL, the computer group.

Bookmakers - who set and offer odds on horse racing, dog-racing and other sporting events - want to introduce the game before

February 5, the date set for the first National Lottery mid-week draw which will, they fear, hit profits further. The National Lottery, now held on Saturdays, will then become a twice-weekly event. The betting industry's decision follows the government's refusal to allow it to take bets on National Lottery numbers.

The new game, which is called 49's, is to be launched on December 15 and will be played daily. The £400,000 (\$666,000) start-up costs have been funded by the UK's three largest bookmakers - Ladbroke, William Hill and Coral - which hope that other bookmakers will participate by paying a weekly \$5 fee per shop to provide ongoing costs.

The draw, which will take place after the last race of the day, will be conducted by Satellite Information Services which broadcasts races to more than half of the UK's 9,000 betting shops. Gamblers will be able to place bets on the likelihood of single numbers or several numbers up to a maximum of five numbers appearing out of a total of 49. Unlike the Lottery, which has a minimum £1 stake, bets as low as £0.10 will be allowed. Odds "will be much higher than in the lottery".

Mr Leonard Steinberg, chairman of Stanley Leisure, the gaming group based in Liverpool, north-west England, said: "We see it as a different type of bet. It would be complementary to the lottery rather than a competitor."

Bookmakers want a wider customer base and more diverse revenue. Earlier this year, they won permission to install up to two fruit (mechanical gambling) machines in each betting shop. They also won the right to take bets on the Irish national lottery, but are prevented by law from doing the same with the UK version.

The industry hedges the National Lottery for a drop in profits leading to the closure of 700 shops. The Betting Office Licensees Association, the main industry body for betting shops, said industry profits dropped by almost a third last year compared to the previous year.

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JAVICO LTD

Electrolux to merge N American divisions

By Hugh Carnegie in Stockholm

Electrolux, the world's biggest supplier of household appliances, said yesterday it was merging its white goods and outdoor equipment operations in North America to create one of the biggest consumer goods companies in the US with an annual turnover of \$3.6bn.

Mr Lef Johansson, chief executive of the Swedish

group, said the move was prompted by a growing trend by large North American retailers to sell products such as fridges, washing machines, lawn mowers and garden tractors under one roof.

He said the merger was the first step in what was likely to be a worldwide strategy by Electrolux of merging its core household and outdoor appliance operations.

"We are finding more and more that our customers for different products are coming together. We will pull our business areas together to serve these customers. You will see Electrolux becoming a homogeneous company rather than a group," Mr Johansson said.

In North America, Electrolux is to merge the white goods operations of Fridaire with the outdoor products of American Yard Products and Poulan/Weed Eater from next month. Fridaire is the third-largest white goods supplier in the US, while America Yard and Poulan/Weed Eater are together the market leaders in outdoor equipment.

Mr Johansson said it was too early to give figures on the expected savings or earnings from the merger, but said there would be "very considerable" savings in logistics, warehousing and

distribution, as well as some savings in manufacturing. He said 40 per cent of the business of the three companies was to common customers, such as retailers Sears and Home Depot.

The newly merged company is to be headed by Mr Robert Cook, who has been in charge at American Yards since it was acquired by Electrolux in 1989. Mr Hans Bäckman, currently holding overall responsibility for out-

door products in North America, is to take up a new post in charge of group industrial integration.

Electrolux group profits have weakened this year, with pre-tax earnings falling 13 per cent in the first nine months to SKr2.4bn (\$352m), on sales of SKr6.8bn. It is currently restructuring its commercial appliances business and is to sell its subsidiary Granges, which makes aluminium products.

Indian telecoms company pulls ADR offering

By Tony Tassell in Bombay

The first American Depository Receipt offering by an Indian company has been withdrawn because of poor market conditions.

The \$200m planned offering by BPL Cellular Holdings, a subsidiary of BPL, the electronics group which wants to develop cellular telecom operations in India through joint ventures, was a test case for other Indian companies

hoping to tap the US market. Its withdrawal after weeks of international marketing has added to negative sentiment on Indian equities and could prove an embarrassment for Morgan Stanley, its global co-ordinator, and Donaldson Lufkin and Jenrette and ING Barings UK, the joint lead managers.

BPL Cellular officials said the issue had attracted commitments of more than \$200m but at prices well below the \$15 to \$17 per ADR

sought. As result, the company had been advised by Morgan Stanley to withdraw the offering.

The company said "There is a definite likelihood that the stock would have been priced at a substantial discount to its true value and, in addition, the likelihood of performing poorly in the market."

Mr Aloke Sarna of Morgan Stanley Asia in Hong Kong said the main factor behind the withdrawal of the offer had been poor market conditions.

"The attitude towards India [among international investors] is pretty negative at the moment," he said.

The Indian share market hit a three-year low on Thursday with the BSE 30 index falling to 2713 - more than 34 per cent below its 52-week high of 4131 in mid-June.

However, market analysts believe the BPL Cellular business was overvalued. They said there had been some interest in the issue but

only at about \$10 per ADR.

BPL Cellular said it was working with Morgan Stanley on an alternative financing plan to meet immediate fund requirements. It believed it would come back to the international market with an issue at a later stage.

The withdrawal will cast a cloud over other planned ADR issues by two other Indian telecoms companies, Hutchison Max and Bharti Televentures.

INTERNATIONAL NEWS DIGEST

Pearson move meets obstacle

The staff of the Dutch business daily Het Financieel Dagblad appear to have blocked a takeover by Pearson, the media group that owns the Financial Times.

Pearson has for some time been in exclusive negotiations with the Signhof family, which holds all of the paper's share receipts. However, the voting shares are held by a separate trust managed by the paper's three-man supervisory board, one of whose members is appointed by the staff foundation.

The personnel and works council decided that the only reason to co-operate would be for financial considerations, but the paper's financial foundation are solid and no dominant partner is needed," said Mr Ad van Cortenberghe, the foundation's chairman.

It is not yet clear whether Pearson will pull out of the talks or continue to try to do a deal following the staff vote.

Raymond Snoddy

Swedish investor gives HTM the kiss of life

New owner has quickly revived the fortunes of the Austrian ski maker, writes Eric Frey

When Mr Joban Eliasch took control in September 1995 of Head-Tyrolia-Mares (HTM), the Austrian sports equipment maker, it was effectively bankrupt.

A leveraged buyout in the late 1980s had left the company, which owns some of the most famous brand names in the athletics world, with a huge debt load. And under the ownership of Austria Tabak (AT), the state-owned tobacco monopoly, HTM was piling up huge losses.

A year later, HTM is back in the race. With some astute strategic moves and a little help from the Austrian government, Mr Eliasch, a Swedish investor based in London, quickly turned the company round. After an operating loss of \$66m in 1995 on sales of \$400m, HTM will post a small operating surplus this year and a profit of \$15m in 1997.

"HTM was a sleeping beauty waiting to be kissed," Mr Eliasch says. The old management focused on market share rather than

profit margins, which led to huge amounts of red ink, he says.

After acquiring HTM for only \$10m (\$914,000), Mr Eliasch quickly closed the ailing golf and clothing divisions, which were responsible for most of the losses, reduced capacity in the ski lines, and improved the company's internal cost-control system.

Sales dropped from a peak of \$447m in 1994 to \$370m this year, but are expected to start rising again next year. With popular products such as Hest tennis rackets and skis, Tyrolia ski bindings, San Marco ski boots and Mares scuba equipment, HTM is well positioned in the expanding leisure market, Mr Eliasch says. If all goes according to plan, HTM should go public in three to four years, he adds.

Mr Eliasch also brought top business names on board, including Mr Maurice Saatchi, the advertising executive, and Rene Jaegli, the former chairman of German sports goods maker Adidas.

The biggest hurdle faced by Mr Eliasch was getting European Commission approval for a \$1.5bn capital injection by AT, the former owner. The commission questioned the aid because it constituted a state subsidy, but gave the green light last summer.

"We fulfilled their conditions, because we cut capacity, do not distort prices, and have a plan for long-term viability," Mr Eliasch says. Without the aid, HTM's debt load of \$2.2bn would be unsustainable, he adds.

The nod from Brussels gave Mr Eliasch a stronger hand in his next hostile debt restructuring talks with the creditor banks, primarily Creditanstalt and Bank Austria.

The negotiations dragged on for months, as Mr Eliasch demanded better and better terms. Mr Eliasch recently asked for debt write-offs of \$300m - \$300m more than agreed by the old management - threatening otherwise to send the company into bankruptcy proceedings.



Austrian Patrick Ortlieb, who won the downhill title at this year's World Championships using Head equipment. He later said: "Half the gold medal belongs to Head"

This would force HTM first to return the subsidies to AT and would leave the banks with nothing. "We are in the stronger position," he says confidently.

Others in Vienna criticised Mr Eliasch for getting a top-value company for a bargain price. Mr Eliasch, an enthusiastic athlete himself, responds by saying he put much of his own money into a company with negative equity value.

HTM's troubles came despite strong market positions in several areas. Tyrolia is the global market leader in ski bindings, Mares in scuba diving equipment. Head is the number one tennis racket brand in Europe

and number three worldwide. Beside Andre Agassi and Goran Ivanisevic, who are officially sponsored by Head, many other top players use its rackets without payment.

In skis, Head is number three worldwide, behind Rossignol and Salomon. The two French ski makers have snatched away market share from the Austrian ski industry in recent years, but the Austrians hope to stage a comeback with hourglass "carving" skis, which are wider at the ends and allow skiers to make narrower turns without skidding.

Worldwide sales of hourglass skis are expected to double next year and take 60

Olympic offer extended

A shortfall of investor interest in the securities which will help fund the building of Sydney's Olympic stadium, for use when the city hosts the Games in 2000, has led to the offer being extended while underwriters look at the possibilities of selling the units overseas. Underwriters said that applications for the A\$365m (US\$291m) issue would be accepted up until December 13.

The A\$365m issue comprised 34,400 "gold passes", priced at A\$10,000 each, that give holders a guaranteed seat to each session of the Games. They also entitle holders to a 30-year stadium club membership and give them securities in the company which will own and manage the stadium. These will be listed on the stock exchange.

Nikki Tait, Sydney

Tofaş shareholders in talks

Fiat and Turkey's Koç Holding, partners in the Turkish carmaker Tofaş, said yesterday they are holding a series of meetings to map out a strategy for the next four years. The meetings could lead to a reassignment of management responsibilities within the company and a change in its ownership structure.

At present Koç has management control and is the largest shareholder in Tofaş. However, industry analysts have said the relationship between the two partners is strained and expect a partial transfer of Koç's stake to Fiat. Tofaş, which holds about one third of the Turkish car market, plans to invest \$500m to upgrade its factories and introduce a new model.

John Barham, Ankara

Wm Cook pledges purchases

By Richard Wolfe, Midlands Correspondent

William Cook, the UK steel castings group, yesterday launched its defence against the £58m hostile bid by Triplex Lloyd by unveiling plans to return to the acquisition trail.

The company, which has not made an acquisition for five years, said it would look for "selective" purchases and even raised the prospect of bidding for parts of Triplex Lloyd.

The strategic shift emerged after Cook pre-

dicted this year's profits would show "a substantial improvement".

Mr Andrew Cook, chairman and chief executive, also confirmed he would split the role and drop his five-year rolling contract.

"It has been pointed out to me very forcefully that the most significant reason why the share price has been depressed is my attitude to corporate governance," he said. "It has been explained to me that a non-executive chairman does not have to be a rival chief executive."

The company, which

vowed to establish separate audit and remuneration committees, dismissed Triplex's 30p share offer as "judicious", and claimed its profits forecast showed its shares were worth twice that. The shares, however, fell 1p to 34p yesterday.

Triplex, the specialist castings company, described Cook's valuation as "entering the land of the stupid".

It said the profits forecast was "a miraculous recovery" given that Cook's interim results statement last month painted a gloomy picture of current trading.

Mr Graham Lockyer, chief executive of Triplex, said: "We have put a full and fair offer for this company, which was valued at 240p when we started the bid."

Cook launched a strong attack on the recent performance of Triplex, arguing that it had suffered from a lack of direction and produced disappointing returns.

Triplex is offering seven new shares and £13.50 cash for every nine Cook shares. There is a 29p cash alternative.

Gas investors greet demerger details with deep sigh of relief

Jane Martinson and Robert Corzine investigate

Institutional investors in British Gas yesterday breathed a sigh of relief following the group's long-awaited announcement of its demerger plans and the first step in resolving its seemingly intractable "take-or-pay" contracts.

Although some investors expressed reservations about parts of the deal, most welcomed signs of movement on the controversial contracts with North Sea gas producers.

Under the contracts - worth tens of billions of pounds - British Gas must pay for gas whether it uses it or not.

On Thursday, British Gas announced a £250m deal to settle its take-or-pay contract with British Petroleum alongside the timetable for its February demerger.

Mr Julian Fosh, investment director at Scottish Amicable, said: "Even if the [BP] price is not great, at least it's a step in the right direction."

"There was some doubt in investors' minds that it was

going to be possible at all."

Gas industry observers yesterday predicted that Mobil - the US supplier which is in talks with British Gas over the contracts - would be the next to reach a settlement.

British Gas has hinted that future take-or-pay deals will be based on the transfer of assets, such as stakes in its giant Morecambe Bay field.

But there was some confusion over which of the company assets could be included in such deals.

Optimism over the BP deal, moreover, was tempered by lingering concerns among some investors over company policy.

One fund manager, who refused to be named, expressed concern at the position of British Gas chairman Mr Richard Giordano, who will become part-time chairman of both the two arms of the demerger business.

"The only reservation we have is that Mr Giordano has over-stayed his

welcome," he said.

He felt Mr Giordano had been too closely associated with some of the problems that dogged the company in the past. "Historically, this is a company which has played the regulator badly, played the City badly and played its public relations badly," he said.

There had been speculation that Mr Giordano would leave at the time of the demerger. But he is set to stay at Centrica, the group's domestic supply and services business, for up to a year and for an unlimited time at

BG plc - the pipeline and exploration company.

Shares fell only 2 1/2p to 215p, a resilient performance given the fears that the dividend could be more than halved in the first year following the demerger.

TransCo, the pipeline part of BG plc which is currently subject to a price review at the Monopolies and Mergers Commission, is the only part of the business certain to pay a dividend next year. But analysts have put the potential pay-out as low as 5p, down from last year's 14.5p total.

British Gas has made clear Centrica would not be able to pay a dividend in the short term.

Nevertheless, Mr Fosh at Scottish Amicable echoed a number of investors when he said that expectations of more buoyant dividend news were "unrealistic".

Other investors, however, were said to be concerned about the future of British Gas's future dividend yield.

British Gas hopes to soothe those reservations when it meets institutional investors following the publication of listing particulars early next year.



DECLARATION OF A PUBLIC SALE AUCTION
for the total assets of the Company
"TOURISTIKAI EPICHRISIS STYLIDOS S.A."

KTIHATIKI KEPHALOU S.A. - Administration of Assets and Liabilities (1 Mesogion Ave., 8th floor), acting as a specific Liquidator of the Company "TOURISTIKAI EPICHRISIS STYLIDOS S.A.", which has been under liquidation procedure of the article 46a of Law 1892/90 by the 6885/1996 decision of the Athens Court of Appeals, which has not been repealed or altered.

DECLARES
a Public Sale Auction with sealed, binding tenders for the purchase of total assets of the Company under specific liquidation procedures.

BRIEF DESCRIPTION
The Company under specific liquidation procedures was founded in year 1968 under the name "AKTAI FTIHIOTIDOS S.A." by the 3452/1968 deed of the notary public of Salamis Mr. Chr. Kehayias. The setting up permit and the Articles of the Company were published in the official gazette issue 1145 of December 7, 1968, bulletin of S.A. and Limited Companies. According to these documents the purpose of the Company is to build and operate hotels in Fthiotis shores, etc. Today it is established in Athens (10 Lekka Street). According to the 6885/1996 decision of the Athens Court of Appeals the Company is now under the specific liquidation procedures of article 46a of Law 1892/90.

ASSETS TO BE LIQUIDATED
The assets of the Company, which are liquidated as a whole, consists of a C class hotel, that was operating until September 1996 under the name "STIUS CLUB HOTEL", with 154 rooms with bath and 297 beds, which is built on a sea-shore land plot of 20.180 sq.m., located in Karavomilos community of Fthiotis prefecture, by the Athens - Thessaloniki national highway, 233 kilometres from Athens, with all its components, annexes and equipment. The assets under liquidation also include every right that has been created from the public use of the site "STIUS CLUB HOTEL" and claims against third parties, as shown in the account books of the Company, of a total amount of drachmas 22.785.400.

ADDITIONAL INFORMATION
Those interested for additional information can collect, from the office of the Liquidator, the detailed Assets Memo, by submitting a written commitment for confidentiality.

TERMS OF DECLARATION
1. The sale will take place in a Public Auction according to the article 46a of Law 1892/90 as this was added by article 14 of Law 2000/1991 and modified thereafter, under the terms included in this Declaration and those included in the detailed Assets Memo whether or not they are repeated in this Declaration. Submission of binding tender entails the unreserved acceptance of all these terms.
2. Those interested to participate in the Auction are invited to submit written and sealed binding tender until Thursday, January 9, 1997, before 12:00 noon, to the notary public of Athens, in charge, Mr. Euaggelos Drakopoulos, 19 Voukourestiou Street, Athens, tel. 36.13.128, 35.21.128. The price must be written in the tender, as well as the terms of payment in detail (cash or with credit, stating the number of instalments, time of payment and suggested interest rate). In the case that the following are not mentioned: (a) the way of payment, (b) the part of the credited amount that will be interest-bearing and the part that will be interest-free, and (c) the interest rate to be applied, it will be assumed respectively that: (a) the price will be paid in cash, (b) the credited amount will be paid interest-free, and (c) the interest rate to be applied, in case there exist an interest-bearing credited amount, will be the interest rate applied in legal transactions at the time of payment. In any case that there exists an interest-bearing credited amount, the interest will be calculated upon the unpaid part of the price and will be on top of the instalments when these are payable. Over-due tenders will not be accepted.

3. Tender must be covered by a letter of guarantee (according to the model included in the Assets Memo) of a Bank legally established in Greece, valid until the acceptance of a tender, for the amount of DRACHMAS TWENTY MILLION (20.000.000). Letters of guarantee will be returned after the acceptance of a tender, except that of the highest bidder.
4. Tenders together with letters of guarantee must be submitted in a non-transparent, sealed envelope.
5. The tenders will be unsealed by the public notary mentioned above, at his office on Thursday, January 9, 1997 at 13:00 p.m. During this procedure, those who have submitted a binding tender in time, may be present and sign the Memo that will be drafted.
6. Highest bidder will be the person whose tender will be decided to be the most profitable for the Liquidator of the Company, by the creditors that represent more than 51% of the claims against the Company (hereafter: «the creditors»), based on a proposal made by the Liquidator.
7. The Liquidator will notify in writing the highest bidder of the Auction to come at the place and the time that will be stated in the notification to sign the contract for the transaction of the assets, according to the terms of his tender and any other improving term that will be recommended by the creditors and agreed with the highest bidder. In case of violation of this obligation of the highest bidder, the letter of guarantee will be held as a penalty. The procedure of the acceptance of the highest bidder will be considered to be completed when the transaction contract has been signed.
8. All expenses of all types for the participation in the Sale Auction and the transaction, as well as any taxes (e.g. V.A.T.), duties, public charges or fees that may be imposed (above the exemptions provided by law) in connection with the participation in the Auction and the transaction contract, its consequences, the certificates and any other deed are exclusively paid by the highest bidder.
9. The Liquidator and the Creditors have no responsibility against participants in the Auction for the valuation of their bid, the election of the highest bidder, the decision for repeating or canceling the Auction and any other decision they may take in respect to the procedure followed in the Auction. Also, the Liquidator, or the creditors, have no responsibility for any real or legal faults of the assets to be sold. The submission of a binding bid does not give the participant any right for the acceptance of his bid, and in general, participants in the Auction do not gain any right, claim or demand from this declaration, or their participation in the Auction against the Liquidator or the Creditors for any reason or cause.
10. This declaration has been written in the Greek language and has been translated into the English Language. In any case of ambiguity, however, the Greek text is predominant.

For the collection of the detailed Assets Memo as well as for any other information, those interested should apply to the Liquidator KTIHATIKI KEPHALOU S.A. - ADMINISTRATION OF ASSETS AND LIABILITIES, 1 Mesogion Avenue, Athens 115 26, tel. (01) 7751750, (01) 7780644, fax: (01) 7780459 (Mr. Th. Katsifos), or the authorized representative Lawyer of the Liquidator, Mr. K. Androustopoulos, 15 Navarrou Street, Athens, tel. (01) 3811088, fax: (01) 3817230.

COMPANIES AND FINANCE: UK

CalEnergy raises Northern bid to £782m

By Simon Holberton and Jane Martinson

CalEnergy, the US independent power producer, yesterday surprised the City by increasing its hostile offer for Northern Electric, the Newcastle-based electricity company, by 20p to 650p and declaring it final.

The new bid values Northern's ordinary shares at £665m and its preference capital at £117m, giving a total of £782m.

CalEnergy also increased pressure on shareholders to accept by bringing the bid's closing date forward to December 20, two weeks ahead of the 60 days normally allowed.

The increased offer was immediately rejected by Northern's board. Mr David Morris, chairman, said the bid "failed to recognise Northern Electric's true value". It ignored new information and CalEnergy was still looking to buy the company "too cheaply".

Mr David Sokol, chairman of CalEnergy, said prolonging the bid process would not deepen the debate about the true value of Northern. CalEnergy's offer represented "compelling value", he said.

This was not a view that found favour with Northern's shareholders. Prudential, the company's largest shareholder with nearly 13 per cent, said "this offer does not appear to include an adequate control premium when compared with the ratings of similar companies".

Northern's management "had consistently sought to deliver shareholder value", Prudential added.

Another large shareholder said Northern was worth more than 650p. "But it is very difficult to reject a bid when you know the price will fall below the bid price if it fails."

Other shareholders were keener to sell. One institution said the City had a "dim view" of Northern's management for holding out. "The bid deserves to win."

Mr Ian Lang, trade and industry secretary, is due to deliver the government's view of the bid by December 16. Northern had planned to pay publishing its second defence until after Mr Lang spoke; last night, however, it was considering bringing its defence forward to next week.

Northern will offer valuations of its core electricity business, and its non-core interests in Sovereign Oil and Gas, which owns an offshore gas assets, and Ionica, a telecommunications company. The company is also considering the consequences of another special dividend. It has already promised shareholders to pay a 50p special dividend next February.

Utilities analysts were perplexed by CalEnergy's decision to raise its offer and shorten the bid timetable.

Many believed it would have succeeded in getting Northern for 630p. Others said they thought the risk of a Monopolies and Mergers Commission reference was increased by the hostility of the bid.

Northern's shares closed up 1 1/2p at 602 1/2p.

NEWS DIGEST

Dewhurst dips to £777,000

Dewhurst, the electrical components manufacturer, has blamed lower sales, worsening margins and start-up costs in the US for a sharp fall in full-year profits.

Pre-tax profits were cut to £776,582 (£1.58m) although sales for the year to September 29 were unchanged at £15.3m. The shares fell 8p to close at 45 1/2p.

Despite the difficulties, Dewhurst said it would leave its final dividend unchanged at 1.8p, lifting the total to 2.75p (2.7p).

Dewhurst said there were few signs of growth in the UK market, although overseas orders were "more buoyant".

Prospects for the company depended on it being able to stem losses at Thames Valley Controls, its subsidiary specialising in control equipment which has been the main cause of Dewhurst's problems. Sales were lower than expected, margins tighter and several contracts delivered in the last quarter were more expensive to manufacture than expected.

In addition, The Fixture Company, its new selling and assembly operation based near Chicago, had incurred start-up costs and trading losses.

Michael Lindemann

Haemocell to raise £2m

Haemocell, the loss-making medical equipment supplier, is to raise £2m, net of expenses, in a placing and open offer and transfer its listing from the USM to Aim.

The company announced yesterday it is offering 13 new shares for five existing shares at 9p apiece. Proceeds will be used to repay debt, develop marketing resources and broaden its products. The shares fell 5p to 4p yesterday.

Haemocell said that without the placing it would not be able to continue to trade. The offer is fully underwritten by financial advisers Collins Stewart at the offer price and four institutions holding 35 per cent of the shares are places.

The shares are due to start trading on Aim on January 6. Haemocell will also extend its year end from August to December in 1997. In the 1995-96 full year, the company ran up pre-tax losses of £1.2m (£2.5m) on turnover of £483,000 (£542,000) - its problems have stemmed from the reliance on one product, its proprietary System 350 blood transfusion system.

Paul Adams

Confident BTR bucks market

By Ross Tieman

BTR, the industrial conglomerate, became virtually the only company in the FTSE 100 index to buck yesterday's market slide after it issued a confident trading statement.

Shares in the group rallied 7p to 237 1/2p after it confirmed trading was in line with expectations.

"Current exchange rates will have some adverse translation impact on the second half of 1996," the group said. "However, in overall terms, performance of the continuing businesses is expected to show some improvement in the second half of 1996 over the first half."

Analysts said that, after a year-long series of downgrades, investors were relieved that BTR had no more surprises. They were at last beginning to believe that recovery was in sight.

The upswing was described as "a relief bounce" by Mr Nick Wilson, of brokers Kleinwort Benson. Mr Bruce Macdonald, of brokers NatWest Securities, said BTR was beginning to win respect for the improved quality and detail of information made available. He has trimmed his pre-tax profit forecast for the year to December 31 by £20m to £1.23bn, in response to a

higher than expected interest charge. Kleinwort Benson cut its forecast by £50m to £1.23bn, citing currency translation factors, and also pared its forecast for 1997 by £100m to £1.29bn.

BTR said it was making solid progress in implementing the new strategy unveiled by Mr Ian Strachan, chief executive, in September.

Mr Strachan, who took over in January, has chosen to concentrate on achieving growth through investment and bolt-on acquisitions in automotive systems, power drives, and packaging materials, reinforced by some businesses with regional strength. Businesses with annual sales totalling £1.6bn have been sold, of the £2.3bn targeted for disposal by the end of 1997.

Some £100m of the £345m restructuring provision taken in September is likely to be used this year. Consultation about reorganising polymers, valves and anti-vibration systems businesses in Germany were well advanced. The reorganisation of glass packaging in Australia, Europe and North America was also going well. The US sealing systems business, which hit problems earlier in the year, is now back on track.

See Lex



Local brew: Ralph Findlay (left), financial director, and David Thompson celebrate the regional breweries' return to form

Wolves banks investment results

By Roderick Oram, Consumer Industries Editor

Wolverhampton & Dudley Breweries returned strongly to form in the pub and off-trade in the second half to turn in one of the best recent performances from regional brewers.

Pre-tax profits excluding property disposals were up 7 per cent at £42m, exceeding forecasts; coupled with the company's confident outlook and analysts' upgrades, Wolves shares closed 3p higher at 60 1/2p.

On a day of market volatility, it was one of only seven stocks in the FTSE 250 index of mid-sized companies to show a rise on the day.

Mr David Thompson, managing director, said the

group would continue to build on its knowledge of the Midlands and north-east. "We're a regional brewer not a dwarf national."

Wolves, the largest regional brewer, had lagged behind its peers in recent years because it had invested more slowly in new pubs and refurbishment. But capital expenditure jumped from £29.8m to £56.6m of which £28.6m was spent on new sites, building new pubs or buying others.

"Wolves' attention to micro detail in running its estate and regions meant it missed the big picture" on acquisitions, an analyst said. "But now its rate of spend on pubs compares favourably with the big market cap-managed pub chains."

Trading profits from managed pubs were up 15.6 per cent at £35.3m, or by 4.4 per cent on a like-for-like basis, comparing favourably with other regional.

Wolves' tenanted pub profits were up 9.6 per cent at £9.1m but profits from wholesaling to the free trade were down 11 per cent at £8.4m as Wolves recovered lost volume.

Increased advertising and marketing helped lift volumes of Camarou's by 3.8 per cent and Zemek, its exclusively imported lager, by 12 per cent.

Reflecting pub acquisition, net debt rose to £22.4m (£38.1m) for gearing of 20 per cent and interest cover of 11.6 times.

A proposed final dividend of 11p makes 17p for the year, up 11.1 per cent. Earnings per share were 45.4p excluding property disposals, up 10.5 per cent.

COMMENT

Wolves is known for its intimate knowledge of its territory and tight management. Investors can be confident it will apply those virtues to its newly aggressive expansion. Thus profit growth should gain momentum putting it ahead of many regional and behind Greene King. Pre-tax profits of £42m this year would give it earnings of 50p and a forward multiple of 12. It deserves a market rating but is trading at a discount of about 12 per cent.

GEC hit by exceptionals

By Bernard Gray, Defence Correspondent

The General Electric Company yesterday reported a 5 per cent growth in pre-exceptional profits from £402m to £421m in the six months to September 30, but the figures were overshadowed by exceptional charges of £160m, leaving the pre-tax outcome at £261m.

Sales, however, rose by 3 per cent to £5,056m - in line with expectations.

Some £45m of the unexpected one-off charges related to costs incurred in rationalising two newly acquired businesses: Hazeltine, a US defence company, and the electricity distribution operations of AEG.

A further 985m went on restructuring existing businesses, primarily the defence subsidiary GEC-Marconi, and £50m was written off from the book value of two industrial businesses which GEC intends to sell soon.

In the main operating divisions, GEC-Marconi raised

turnover by 16 per cent to £1.4bn and profits by 35 per cent to £108m. GEC also won orders from the Ministry of Defence for two marine assault ships for the Royal Navy worth about £500m, and a £650m order for anti-tank missiles for the Royal Air Force.

GEC Alsthom, the power engineering and transport joint venture with Alcatel Alsthom of France, saw turnover fall 6 per cent to £1.63bn and profits were down 4 per cent at £73m (£76m). GPT, the telecoms joint venture with Siemens of Germany, had a buoyant period with turnover up 22 per cent to £565m (£464m) and profits ahead 18 per cent at £73m (£62m).

Gilbarco, the US petrol pump maker, could not sustain its good run and profits were down in its division by 37 per cent at £19m (£30m).

Underlying earnings per share rose from 9.1p to 9.5p, but fell to 6.5p after exceptional charges. The interim dividend goes up 5 per cent to 3.26p.

Dull tied volumes hinder Fuller rise

By David Blackwell

Lower beer volumes to its tied estate and margin pressure in the wine retailing business hampered first-half profits growth at Fuller Smith & Turner.

The west London brewer, which moved from the USM to the main market in September, lifted pre-tax profits for the six months to September 28 from £5.08m to £5.21m. Sales were almost 12 per cent higher at £49.4m (£44.3m).

Mr Michael Turner, man-

aging director, said the managed estate was facing intense competition from other groups investing in new concepts.

Beer volumes to the tied estate, which now numbers 207 pubs, fell 3 per cent. However, barterage to the free trade was 13 per cent ahead, with take-home trade volume up by more than 50 per cent.

The group described the growth of its listings in supermarkets as "spectacular". Tesco now listed London Pride in 350 of its

stores, and listings for the ESB and 1845 beers were increasing.

The problems with Epos equipment in the wine business had been overcome, and the group was "looking forward to a good, solid second half". Earnings per share were 4 per cent up at 14.41p (13.88p) and the interim dividend is lifted from 2.92p to 3.1p. The shares dipped 7 1/2p to 44 1/2p.

COMMENT

These were disappointing interests, and forecasts for

the full year were trimmed from about £11.3m to just below £11m. The managed houses have been feeling the chill winds of competition in the London area. At the same time the group is suffering growing pains as it puts London Pride firmly on the retail map. There is little doubt that this quality regional brewer, which is ungeared, will be one of the long-term survivors. Meanwhile, the prospective rating of 15 times looks high enough.

OEM slips into the red

OEM, the property group, slipped into the red with pre-tax losses of £180,000 for the year to June 30 against a profit of £451,000.

Mr Robert Noonan, chairman, blamed the fall on "the difficulty inherent in property trading of predicting when transactions will complete".

The company is currently involved in litigation concerning a planning inquiry in respect of Culverhouse Cross, which is delaying receipt of payment.

Turnover dropped from £4.9m to £1.01m.

Administrative costs fell by 7 per cent and director's emoluments fell by 28 per cent.

Chrysalis £5.37m in loss

By Raymond Snoddy

Chrysalis, the media and music group developing new radio stations in the Midlands and London and on The Echo record label. Mr Wright said Echo had had its first big chart breakthrough with Babybird's *You're Gorgeous*.

There were also losses and closure costs of £1.8m relating to its feature film division.

Chrysalis has faced considerable controversy recently with the resignation of two non-executive directors: Sir David Puttnam, the film producer, and Lord Chandos, the banker. Both had complained that insufficient efforts were being made to find someone to run the company on a day-to-day basis.

Mr Chris Wright, chair-

man, said this year's losses reflected a £6.7m investment, split evenly between start-up costs on radio stations in the Midlands and London and on The Echo record label. Mr Wright said Echo had had its first big chart breakthrough with Babybird's *You're Gorgeous*.

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Mr Chris Wright, chair-

Greenalls sells

Greenalls, the brewer and hotels company, has sold six hotels in the US to Shander Hotel of Pennsylvania for \$22.8m (£14m) in cash.

Mr Andrew Thomas, chairman and chief executive, said they did not form part of the core business. In the year to September 29 the hotels made £1.1m pre-tax. The loss on disposal is £1.75m.

CORRECTION

Pannell Kerr

A headline in yesterday's FT incorrectly suggested that profits at Pannell Kerr Forster had fallen. It reported a 38 per cent increase in profits from £11.3m to £15.6m in its maiden set of extended financial results.

| Company | Share Price | Dividend | Yield | Market Cap |
|---------|-------------|----------|-------|------------|
| 100 | 10.00 | 0.50 | 5.0% | 100.00 |
| 101 | 10.50 | 0.52 | 4.9% | 105.00 |
| 102 | 11.00 | 0.54 | 4.9% | 110.00 |
| 103 | 11.50 | 0.56 | 4.8% | 115.00 |
| 104 | 12.00 | 0.58 | 4.8% | 120.00 |
| 105 | 12.50 | 0.60 | 4.8% | 125.00 |
| 106 | 13.00 | 0.62 | 4.8% | 130.00 |
| 107 | 13.50 | 0.64 | 4.7% | 135.00 |
| 108 | 14.00 | 0.66 | 4.7% | 140.00 |
| 109 | 14.50 | 0.68 | 4.7% | 145.00 |
| 110 | 15.00 | 0.70 | 4.7% | 150.00 |
| 111 | 15.50 | 0.72 | 4.6% | 155.00 |
| 112 | 16.00 | 0.74 | 4.6% | 160.00 |
| 113 | 16.50 | 0.76 | 4.6% | 165.00 |
| 114 | 17.00 | 0.78 | 4.6% | 170.00 |
| 115 | 17.50 | 0.80 | 4.6% | 175.00 |
| 116 | 18.00 | 0.82 | 4.6% | 180.00 |
| 117 | 18.50 | 0.84 | 4.6% | 185.00 |
| 118 | 19.00 | 0.86 | 4.5% | 190.00 |
| 119 | 19.50 | 0.88 | 4.5% | 195.00 |
| 120 | 20.00 | 0.90 | 4.5% | 200.00 |

MAJOR PUBLIC AUCTION

As a result of Declaration of Bankruptcy against Adriano Rooding Oriental Carpets, exclusive specialist contractor supplier of highest quality Handmade Eastern carpets, pronounced in Single Judge Insolvency Division Court under Bankruptcy Order 0335

THE ADRIANO ROODING EXHIBITION COLLECTION OF FINE PERSIAN & ORIENTAL RUGS, RUNNERS & CARPETS

comprising all remaining items from this major collection, to be sold piece-by-piece including Superfine Isfahani, Silk Qashgher, Heriz, unique rugmaker's designs, extremely fine Shikla/Habilian, Nain, Classic Medallion, Agha & Pasha, Kashmir, Beni, Kashmiri, Ghazni, Heriz, Afghani, Baluch, Fere, Ardabil, Shabran, Kirman, Ahar, Yerevan, Shirvan, Mahal, Baluch & many other outstanding, scarce & unusual Persian specimens, also vintage tribal Afghani 'war' rugs & woolen 'Ghazni's Foot' Pilgrims' prayer mats, finest quality antique pure silk prayer runners, runners & coverlets, highly collectible Caucasian specimens, choice Torus, Felice, Kora, Misra, Damascus etc. traditional Turkish examples, ultra-fine silk/kilim & precious metal Imperial Hebra prayer rugs, striking Persian tribal kilims, many fine hallway runners in all widths/lengths, dramatic abstract Tibetan heavy examples, and many other traditional & contemporary special contract items up to 19' x 12'

This very substantial assemblage of outstanding Bakhtiari & Special Provenance goods disappeared from the bankrupt in enforcement of the Court Judgement & therefore restricted following liquidation agreement between the Receiver, the Debtor's Bank & the priority creditors is now ordered for immediate unrestricted clearance Lot-by-Lot in this single auction session

SUNDAY 8TH DECEMBER AT 3:00 PM SEAPR ON VIEW FROM 1:00 PM

These most valuable & important assets of the Rooding Bankruptcy to be sold in public at nearly warehouse where stored

UNIT 5, ALBION WEAR, BATTERSEA BRIDGE SOUTH, LONDON SW11

(Albion Wear is situated on the south bank of the River Thames adjacent to Battersea Bridge - access by via Horse Road, just west of Battersea Bridge)

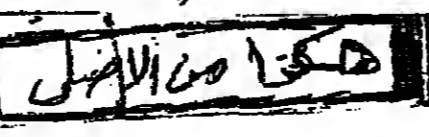
Viewing by appointment only. Telephone: 0171-871-8718

Terms: Cash, cheques, all major credit cards. Telephone enquiries 0171-871-8718

Approved Auctioneers: BUCKLEY & KEMPERS, 4, Avenue, Theobalds Road, London WC1X 9PL

| Company | Turnover | Pre-tax profit | Current payment | Date of payment | Dividend | Total for year | Total for year |
|--------------------|--------------------|----------------|-----------------|-----------------|----------|----------------|----------------|
| Bearing Power | Yr to Sept 30 | 46.8 (43.4) | 0.08L (0.06L) | 2.5L (1.4) | 1.25 | 1.25 | 1.25 |
| Brasray | 6 mths to Oct 31 | 19.0 (20.2) | 1.20L (1.05) | 1.12 (0.88) | 0.31 | 0.28 | 0.55 |
| Chrysalis | Yr to Aug 31 | 111.4 (87.7) | 5.37L (4.10L) | 16.42L (2.85L) | 2.75 | 2.75 | 2.75 |
| Fugate Trading | 6 mths to Sept 30 | 11.5 (12) | 0.21L (0.32L) | 1.21 (1.39) | 0.7 | 0.7 | 0.7 |
| Forster (John) | 6 mths to Aug 31 | 5.84 (5.95) | 0.41L (0.53L) | 14.41 (13.58) | 3.1 | 1.17 | 1.17 |
| Fuller Smith | 6 mths to Sept 28 | 49.4 (44.3) | 6.21 (4.81) | 5.5 (4.8) | 0.7 | 0.7 | 0.7 |
| GEC | 6 mths to Sept 30 | 5,055 (4,896) | 261.4 (202.1) | 4.5 (3.1) | 3.26 | 3.1 | 12.51 |
| Haemocell | Yr to Aug 31 | 0.483 (0.842) | 1.23L (2.58L) | 4.6 (11.1) | - | - | - |
| Health (James) | 6 mths to Sept 30 | 4.73 (4.25) | 0.28L (0.34L) | 6.4 (6.8) | 3 | 3 | 7 |
| Jarvis | 7 mths to Sept 27* | 7.38 (11.1) | 0.818L (0.34) | 5.71L (6.2) | 0.8 | 0.8 | 0.8 |
| King & Shaxson | 6 mths to Oct 31 | 25.9 (26.1) | 1.59L (1.55L) | 3.3 (2.9) | 4 | 4 | 9 |
| OEM | Yr to June 30 | 1.01 (4.59) | 0.16L (0.46L) | 2.9 (7.4) | 0.8 | 0.8 | 0.8 |
| Wrightman & Dudley | Yr to Sept 29 | 248.7 (237.3) | 43.3V (45.5V) | 45.7 (45.6) | 11 | 11 | 11 |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. *After exceptional charge. **After exceptional credit. †On increased capital. ‡In stock. §Comparative for 12 months to February 29, 1995 currency. ¶Comparative restated.



COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Gold rallies as shares fall

By Susanna Voyle

Gold's week in the doldrums ended with a surge yesterday after the price in London picked up on falling share and bond prices.

However, after climbing to \$374.50 at one point yesterday, the price slipped back as shares recovered to close at \$369.65.

On Tuesday the metal crashed through the \$370 a troy ounce level to close at \$367.85 - a three-year low and down \$3.20 from Monday's close.

Dealers suggested that gold was collapsing under the weight of producer selling, while would-be buyers were standing back waiting for the price to fall further.

The spectre of central banks selling off their gold reserves ahead of European monetary union continued to worry the markets.

Mr Warwick-Ching of CRU Precious Metals Mon. said sales of reserve bullion would be a painless way for certain countries to meet EMU membership criteria.

Mr Warwick-Ching said it was the range of bankers "prepared to think the unthinkable" that was doing the damage.

BASE METALS

LONDON METAL EXCHANGE

Table with columns: Metal, Price, Change, High, Low, Vol. Includes Aluminum, Zinc, Lead, Tin, Nickel, Copper, Silver, Platinum, Palladium.

On Tuesday selling by investment funds had pushed the price to \$373.75, then a three-year low.

Copper for three-month delivery fell yesterday to close at \$2.140 - after a week which was volatile, but did not result in the turmoil that had been feared.

Dealers said the fall yesterday - from Thursday's close of \$2.179 - came after an increase of more than 6,000 tonnes in London Metal Exchange Stocks.

Wednesday's exercise of options passed off quietly after two days of slipping prices and the narrowing of the premiums for copper for immediate delivery.

Oil prices fell yesterday after a bullish week. In afternoon trading, Brent Blend for January delivery - the

internationally recognised benchmark - was \$22.50 a barrel, against Thursday's Exchange close of \$23.63.

Pressure on prices came from news that workers at one Elf refinery had voted to end their nine-day strike and traders guessed that workers at the other two Elf refineries may follow suit.

Further pressure on prices came from profit-taking and earlier speculation that Iraq expected to sell oil from Tuesday. In late trading the price rose to \$23.95 and then quickly lifted to \$24.05.

PRECIOUS METALS CONTINUED

GOLD COMEX (100 Troy oz; \$/troy oz)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

SILVER COMEX (5,000 Troy oz; \$/troy oz)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

NICKEL COMEX (50,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COPPER COMEX (36,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

ZINC COMEX (36,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

LEAD COMEX (25,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

GRAINS AND OIL SEEDS

WHEAT LIFFE (€ per tonne)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

WHEAT CBOT (5,000 bushels; \$/bushel)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

MAIZE CBOT (5,000 bushels; \$/bushel)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

BARLEY LIFFE (€ per tonne)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

SOYABEAN CBOT (5,000 bushels; \$/bushel)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

SOYABEAN MEAL CBOT (100 tons; \$/ton)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

POTATOES LIFFE (€ per tonne)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

NATURAL GAS NYMEX (10,000 mcf; \$/mcf)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

SOFTS

COFFEE LIFFE (€ per tonne)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COFFEE COMEX (37,500 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COFFEE ICE (30,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COFFEE ICE (30,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COFFEE ICE (30,000 lbs; \$/cwt)

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COFFEE ICE (30,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COFFEE ICE (30,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

MEAT AND LIVESTOCK

LIVE CATTLE COMEX (40,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

LIVE HOGS COMEX (40,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

PORK BELT COMEX (40,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COFFEE ICE (30,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COFFEE ICE (30,000 lbs; \$/cwt)

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COFFEE ICE (30,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

LONDON TRADED OPTIONS

ALUMINUM (99.7% LME)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COPPER (Grade A LME)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COPPER (Grade B LME)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COPPER (ICE)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COFFEE ICE (30,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COFFEE ICE (30,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COFFEE ICE (30,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COFFEE ICE (30,000 lbs; \$/cwt)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

LONDON SPOT MARKETS

CRUDE OIL FOB (per barrel)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

CRUDE OIL FOB (per barrel)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

CRUDE OIL FOB (per barrel)

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CRUDE OIL FOB (per barrel)

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CRUDE OIL FOB (per barrel)

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

WEEKLY PRICE CHANGES

Table with columns: Commodity, Week, % Change, 1996 High, 1996 Low. Includes Gold, Silver, Aluminum, Copper, Lead, Nickel, Zinc, Tin, Cocoa, Coffee, Sugar, Barley, Wheat, Cotton, Oil, Gas.

PRECIOUS METALS

LONDON BULLION MARKET

Table with columns: Metal, Price, Change, High, Low, Vol. Includes Gold, Silver, Platinum, Palladium.

PRECIOUS METALS

NATURAL GAS NYMEX

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

FUTURES DATA

ALL FUTURES DATA APPLIED BY CMS

Table with columns: Commodity, Price, Change, High, Low, Vol. Includes Gold, Silver, Aluminum, Copper, Lead, Nickel, Zinc, Tin, Cocoa, Coffee, Sugar, Barley, Wheat, Cotton, Oil, Gas.

INDICES

FTSE ACTUARIES GOVT. SECURITIES

Table with columns: Index, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

UK INDEXES

FTSE 100

Table with columns: Index, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

UK INDEXES

FTSE 250

Table with columns: Index, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

UK INDEXES

FTSE 100

Table with columns: Index, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

MARKETS REPORT

By Lisa Bransten in New York and Richard Adams in London

farm jobs were added in November compared with the 175,000 increase economists had forecast.

Mr Kevin Studer of First Chicago Securities, said it was not for the Greenspan comments, the market would probably have moved sharply stronger on the employment figures.

Mr Alan Greenspan, chairman of the Federal Reserve, leaving US Treasury prices largely unchanged by midday yesterday.

In early afternoon trading, the benchmark 30-year Treasury was a stronger at 99 1/2, to yield 6.504 per cent, while at the short end the two-year note was unchanged at 98 1/2, yielding 5.709 per cent.

Bonds sold off sharply in Asian and European trading as Mr Greenspan's questioning of whether "irrational exuberance has unduly escalated asset values" triggered fears that the Fed was unlikely to ease interest rates.

By midday, however, prices began to rally as traders reacted to the figures showing that 118,000 non-

BOND FUTURES AND OPTIONS

FRANCE

Table with columns: Date, Price, Change, High, Low, Vol. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
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Saturday December 7 1996

A winter of discontent

Time and hope are running out for Mr John Major's administration. The loss of its majority at Westminster following the withdrawal of its support by Sir John Gort's puts a question mark over the timing of the forthcoming general election. It no longer seems quite so certain that Mr Major will be able to go to the country at the time of his choosing next May.

This week has seen the government lurch from crisis to crisis. Strained relations between the prime minister and Mr Kenneth Clarke, the chancellor, over the European single currency have reflected a more general fracturing of cabinet discipline. On the Conservative backbenches, Mr Major faces open defiance from his party's Eurosceptics. If needed, their demand for Mr Clarke's dis-

missal and the scrapping of the present wait-and-see policy on Emu would lead to the certain destruction of the government. Of itself, Sir John's decision may have limited practical effect. With two by-elections pending, it was always expected the government would soon lose its majority. For the moment, at least, the Ulster Unionists offer tacit support.

But it represents nonetheless a big psychological blow. Mr Major is the first prime minister since Lord Callaghan in 1979 to govern without a majority. The indignities of that dying administration are well remembered. Unless the Conservatives regain some sense of purpose in this winter of discontent, we shall reach a moment when the voters must be given their choice sooner rather than later.

Party pooper

You are drunk! the chairman said. And men in dealing rooms all over the world straightened their ties, blinked at their screens and marked down equities. That is not exactly what Mr Alan Greenspan, chairman of the US Federal Reserve, said on Thursday night, but it is what the markets heard.

His actual words, which sent Tokyo stocks down by 3 per cent and pushed Wall Street 2 1/2 per cent lower at the opening, were "irrational exuberance". Mr Greenspan explained at a dinner engagement that this party spirit could create a stock market bubble with serious effects on the economy.

The vigour of Mr Greenspan's phrasing leaves little doubt that he meant the world to hear. But he kept his intentions decently obscure by adding that central bankers need not worry about a collapsing bubble if they thought it would not threaten the real economy.

No doubt the Fed has become worried by an assumption in the markets that slower US economic growth might induce it to cut (or not raise) interest rates. A rampaging bull market might also worry the authorities. Mr Greenspan suggested, while leaving in doubt what they would do about it.

Certainly, the six-year run on Wall Street is beginning to spill into other asset prices, such as property and the art market. The Dow Jones Industrial Average has risen 25 per cent since this year and 75 per cent since the summer of 1994. By most measures, stocks are very highly

valued. Dividend yields, for example, have fallen in the last two years from about 3 per cent (the long term average) to 2 per cent. Similarly, "Q" ratios, which compare the market valuation of a company with the value suggested by its balance sheet, have been suggesting to many analysts that shares are highly priced.

But in recent weeks such arguments have seemed to carry no weight at all in the equity market, although US bonds and the dollar have been somewhat weaker. Analysts such as Abby Joseph Cohen of Goldman Sachs have kept the exuberance flizzing by suggesting that, because of a fundamental shift in corporate profitability, these ratios do not mean what they used to.

Be that as it may, by the weekend the markets were taking Mr Greenspan's words in the spirit he doubtless intended: as a warning to water down the exuberance rather than to stamper for the exit. Jobs figures suggesting a further slowing of the US economy contributed to the mood of sobriety.

Anxious memories of October 1987, when the Dow plunged 25 per cent almost overnight, dragging world markets with it, were recalled only briefly. This time the pressures from Europe for a rise in the dollar and from economic expansion in the US are more subdued, while rates of return on American business capital are almost three percentage points higher. So history is unlikely to repeat itself.

Not exactly.

Tight spot for blue-eyed boy

George Simpson has limited room for manoeuvre in his efforts to restructure GEC and make the business grow, says Bernard Gray

In September George Simpson, the blue-eyed boy of British industry, went to run the General Electric Company, Britain's biggest manufacturer. After only two months of kicking the company's tyres Simpson might be beginning to wonder whether he is in danger of becoming the manager of the UK's biggest investment trust.

It is true that yesterday's announcement of GEC's half-year results contained many promises of action from the company's new managing director. The company has written down the value of some businesses as a prelude to selling them soon. More money has been set aside to rationalise newly-bought businesses and to restructure some existing operations.

GEC is being reorganised into five divisions: power engineering, telecoms, defence, industrial, and its US operations, each of which will report directly to Simpson. A strategic review is under way to decide where the company should focus its efforts. Early indications are that GEC Alsthom, the joint venture with Alcatel of France in power engineering and transport, and the US operations - such as Gilbarco, a petrol pump maker, Videojet, a manufacturer of inkjet printers, and Picker, a medical equipment business - may offer scope for development, while much of the long tail of industrial businesses may go. Defence will also be a vital element in the strategy.



"I want to re-establish growth and momentum in the business," said Simpson yesterday. "While I don't want to anticipate the results of our strategic review there are clearly areas which have potential and others which do not really belong inside GEC."

And yet, for all the bustle and bustle of a new broom sweeping clean, Simpson must be finding his room for manoeuvre extremely limited.

Half of GEC's turnover last year came from companies over which it has only partial control through joint ventures. As well as GEC Alsthom, these are GPT, the telecoms venture with Siemens of Germany, and General Domestic Appliances, a white goods link with GE of the US.

Unless GEC's other partners want dramatic action in those businesses, it is hard for Simpson to generate much momentum. He may be certain that GEC's long-standing and legendary financial controls will prevent any melting-down of profits, but he cannot actively push these businesses forward either.

That leaves GEC-Marconi, the defence electronics subsidiary, and the old Industrial Group, a lucky dip of assorted operations, as the only wholly-owned assets for Simpson to play with. They are also the only levers of power he can pull on to steer the company's in the future.

The Industrial Group is being split in two, in a move which looks suspiciously like a division into sheep and goats. The US operations are all highly profitable, although even their most avid fan would not claim that they had much in common. Even so, Simpson clearly hopes that these could form a core around which a growing US division could be built. Most of the rest of the industrial companies - many of which are UK-based - are, in a not-so-subtle way, being polished up for sale.

While the US division might cohere and grow, it is hardly the springboard for an expansion which will revolutionise GEC. As a lever of power, the Industrial Group is short and not well connected. Defence, then, is the one big lever which Simpson has left,

and GEC-watchers are beginning to wonder in which direction he will pull it.

Lord Weinstock, the long-serving GEC managing director who retired in September, was keen for Marconi to go into a joint venture with Thomson-CSF, the defence arm of the French electronics company. This clearly made industrial sense, since there was a great deal of overlap between the two businesses in areas such as avionics, military flight control systems and missiles. Bringing them together would eliminate duplication and play an important part in rationalising the badly splintered European defence industry.

Unfortunately for Lord Weinstock, the French government initially decided to sell Thomson to the Lagardere Group, a mis-

sile to magazines French conglomerate. As a result of the financial structure proposed by Lagardere, that would have prevented this full GEC-Marconi-Thomson-CSF pooling. This week France suspended the sale of Thomson-CSF to Lagardere, and its plan for privatising Thomson has become opaque.

While pooling Marconi with Thomson-CSF would still make industrial sense, it would further limit the freedom of action of the GEC board. Under that model, once the Industrial Group had been rationalised and sold all of GEC's main businesses would be jointly owned, and only partly controlled.

GEC would then become a financial holding company which would receive dividends from its joint ventures and have some measure of financial control over the way they were run. In effect, it would have become an investment trust. Indeed, there is an argument that under those circumstances GEC would have difficulty in retaining its listing as an electronics company on the London Stock Exchange.

This quasi-investment trust issue never bothered Lord Weinstock, but Simpson shows signs of being less bappy at the prospect.

"The defence issue is our top priority, but it is also subject to a lot of external constraints," he said yesterday. "We have always made it clear that it is for the

government of France to decide what to do with Thomson, and we have also said we would like to work with whoever buys the business. But that may take some time, and I think we need to be more proactive."

In looking for that action, Simpson could try to strike a deal with another Continental company, but no other candidate offers such a clear overlap with Marconi as Thomson-CSF. He could equally look to the US, but American restrictions on foreign access to defence technologies would make that hard. The only other logical place to look for a defence deal is with GEC's old sparring partner and Simpson's alma mater, British Aerospace.

Pooling BAE's defence business with that of GEC would not produce savings on the same scale as a deal with Thomson, because the business overlap is smaller. GEC is by and large a supplier to BAE rather than a competitor. It would also land Simpson with the same investment trust problem.

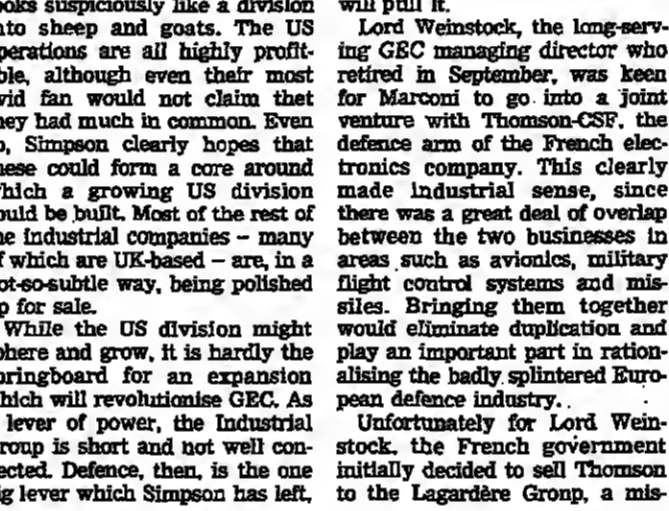
Given the trend of mega-mergers in the US defence industry, some European executives are also starting to argue that the European industry will eventually end up as one large aerospace company, embracing fighter manufacturing, helicopters, Airbus, space and defence electronics.

If that is the case, they say, does the order in which this happens matter? Does it matter whether fighter makers merge with fighter makers and electronics companies get together with electronics companies in cross-border deals, only to merge into one large group later? The alternative of mergers between national aircraft makers and electronics companies into other national defence champions, which then combined in a European super-company, would achieve the same end.

There are very significant risks to competition - and to international collaboration - in such national tie-ups. But the very fact that this kind of thinking is about in the industry, and the difficulty that European companies have had in striking cross-border mergers, suggests that Simpson may be tempted by a BAE deal. If he is, and he could structure something in a way which did not leave GEC as an investment trust, he might even have a manufacturing business to run.

Yet it would resolve some difficulties on complex and under-managed programmes such as the E40bn Eurofighter project. Crucially, such a deal might be easier to complete than a Continental deal. Simpson might even make a case that GEC's stern financial control and BAE's marketing flair would make a powerful combination.

GEC half-year turnover to September 1996



Source: Company Reports

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Notion that aid is wrong disproved

From Mr David Bryer.
Sir, Michela Wrong uses the good health of returning Rwandan refugees as evidence that "aid agencies' credibility took a battering" ("Killing with kindness in central Africa", December 3). These 500,000 were in good health because they had remained in a camp where the aid systems, including an Oxfam water supply run by local staff, continued to function. Their survival and return disproves the notion, which Ms Wrong seems to support, that aid agencies

should never have provided aid in the first place. Responsible agencies have not only provided aid to Rwandan refugees since 1994, but have continually advocated the need for decisive international support to governments of the region to find political solutions, including separation of genocidal militia from refugees, and their fair trial. If humanitarians have worked in a political vacuum there, should not the politicians be asked why they made that happen? Finally, with regard to the

remaining refugees and displaced people, it is yet to be established whether any aid agency has deliberately talked up numbers. As a responsible journalist, Michela Wrong should be equally open to the possibility that governments are deliberately talking them down in order to continue their policy of inaction.

David Bryer, director, Oxfam UK and Ireland, 274 Banbury Road, Oxford OX2 7DZ, UK

Now engineer a boycott

From Mr Bob Connell.
Sir, I agree with Peter Melchett and others (Letters, December 5) regarding genetically engineered food. I find it surprising that the European Commission has ignored the wishes of the public and its parliament. I recall that soya was only introduced to foodstuffs as a lower cost substitute. I now expect that the public will be exercising choice: not to buy any products containing soya. Only in this way can we be assured that we will not ingest genetically tampered produce.

Will this lead to yet another European Commission mountain - of unwanted imported soya?

Bob Connell, Robert Connell Associates, Almbre, Mountain Road, Chappetow, Monmouthshire, NP6 6AA, UK

Little surprise that Russia backing Belarus

From Mr Gary Levinson.
Sir, It is little wonder that Russia "warmly backed" the increasingly dictatorial power grab of President Lukashenko in neighbouring Belarus ("Lukashenko shows firm hand", December 3). The Kremlin would not hesitate to call the election legitimate:

Russia, which for five decades has had numerous satellite countries creating a wide buffer with a hostile West, is now faced with the threat of a Nato expansion up to its doorstep. With Russia's own history of "strong leaders" it is completely understandable that for the motherland, a stable,

friendly, "buffer" neighbour is more important than recently adopted democratic ideals.

Gary Levinson, managing editor, New Renaissance, Weissenauer Weg 4, D-55129 Mainz, Germany

Ruthless picking of wild mushrooms has worrying consequences

From Dr Anne-Carole Chamier.
Sir, Wild mushrooms are a very fashionable foodstuff. They feature on the menus of restaurants up and down the UK and in the food and drink pages of the Weekend FT. Demand for wild fungi has promoted a vast and highly profitable industry in Britain where they have been collected intensively in the New Forest, the Ashdown Forest and in Scotland. In all these areas environmental damage has been caused by ruthless commercial picking; so much so in the New Forest that commercial picking

has been banned by the Forestry Commission. Strictly speaking, the picking of wild mushrooms for financial reward on private land is theft. But the law specific to fungi is loose and traders are able to exploit the loopholes. Fungi play a vital role in ecosystems, mainly as decomposers of dead matter which they recycle for the growth and development of new organisms. They are essential partners to many trees and plants and provide food for at least a thousand species of insects, as well as small mammals. They cannot reproduce

properly if their fruit-bodies - mushrooms - are removed. Compared to continental Europe, where there is a tradition of large-scale picking of wild mushrooms for sale, the UK has very little stable, natural woodland to sustain large, fruiting, fungal populations. As a mycological ecologist, I am very worried about the consequences of ruthless exploitation of this natural resource in Britain. Surveys show that many fungal species are in decline in Europe and at least five have become extinct in Britain in recent times. The his-

tory of irreversible disasters in natural ecosystems brought about by unbridled commercial exploitation should urge upon us an attitude of extreme caution. There is still a lot we do not know about fungal ecology. Perhaps those ordering or buying wild mushrooms could bear these points in mind.

Anne-Carole Chamier, Achandunle House, Ardross, By Alness, Ross and Cromarty, Scotland IV17 0YB, UK

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Woman in the News • Madeleine Albright

A vote for loyal service

Jurek Martin assesses the US secretary of state designate

There is one remark that distinguishes Madeleine Albright from most of her contemporaries yet places her in good and familiar company as the "vicar" of US foreign policy. Earlier this year, reflecting on the influence that shaped her, she said: "My mindset is Munich. Most of my generation's was Vietnam."

The secretary of state designate, born Maria Jana Korbel in Prague 59 years ago, is the latest in a long line of refugees from oppression in central Europe to be given the chance to shape America's role in the world. Before her stand Henry Kissinger, President Richard Nixon's guru, and Zbigniew Brzezinski, national security adviser under President Jimmy Carter, who was born in Warsaw. Alongside her is General John Shalikashvili, chairman of the joint chiefs of staff, also Polish-born and of Georgian extraction.

It is hard to draw a straight line between all four. Kissinger and Brzezinski operated under the constraints - and with the licence - of the cold war, when strategic global thinking was a necessity. Albright and Gen Shalikashvili have come to positions of authority in the far messier years following the demise of the "evil empire", during which disconnected

problem solving, from Bosnia to Rwanda, has been more the rule.

But their origins left all with a highly developed sense of gratitude to the country which adopted them and allowed them to flourish, as well as a commensurate distaste for authoritarianism in whatever guise. More than any of them, Albright, informally rechristened Madeleine by her mother, is accustomed to express both sentiments in a quintessentially direct and impeccable manner - and, if necessary, in Russian, French, Polish and Czech.

The daughter of a diplomat, her family escaped Prague when the Nazis invaded in 1938, spent the war years in London, returned home after her father had done a stint as Czech ambassador in Belgrade but was then forced to flee again with the communist takeover in 1948.

They were granted asylum by the US in 1949 and settled in Colorado, where her father became a dean at the University of Denver. She graduated from Wel-

lesley College outside Boston and three days later married Joseph Medill Patterson Albright, heir to a newspaper empire, and went on to give birth to three daughters. She considered journalism as a career but was advised against it by her husband and instead got a doctorate in international affairs from Columbia University in New York. The marriage broke up about 15 years ago.

Already living in Washington, she established impeccable Democratic political connections early, first as legislative assistant to Senator Edmund Muskie of Maine, later to become secretary of state, and then at the national security council under Brzezinski, her mentor at Columbia.

She filled in the Reagan years teaching at Georgetown University and the Bush ones as head of a foreign policy think-tank set up by the Democratic party. But she burished her political credentials by edvising Geraldine Ferraro, vice-presidential candidate in 1984, and Michael Dukakis,

defeated by President George Bush four years later. It was during that campaign that she met Clinton, for whom she worked hard in 1992 and was rewarded with the ambassadorship to the UN and a fully fledged seat in his cabinet.

At about that time she was asked for a short autobiography. It began "Woman, Democrat, international affairs specialist, university professor, mother of three daughters."

That order is considered presciently significant by her detractors in Washington and at the UN, where she has directed the US effort to deny a second term as secretary general to Boutros Boutros Ghali.

Although Clinton denied it on Thursday, her sex was undeniably a factor in her nomination as the first woman secretary of state.

Her friendship with Hillary Clinton, another tough lady, whom she escorted around Prague last year, may not have been decisive but it was at least

the icing on the cake.

So, equally, was her loyalty to her Democratic president, who is so fond of continuity and collegiality. Of all Clinton's national security surrogates, only vice-president Al Gore has matched Albright's willingness publicly to defend and explain US foreign policy during periods in which it has come under heavy fire.

Of her present job, she once said "CNN is the 16th member of the Security Council" and her appearances on TV have been noteworthy for their forcefulness and clarity, if not their sophistication.

It is as a specialist in foreign policy, her self-described third priority, that she is considered wanting by the policy establishment. This reflects, in varying degrees, her relative lack of published books and long magazine articles, a range of interests that apparently do not extend to Asia and a personal manner that can be abrasive.

Jim Hoagland, the Washington Post columnist, summed up this semi-

dismissive feeling yesterday by writing that Albright "will serve as a spokesman for Clinton rather than as an originator of policy or grand principles".

Richard Haass, from Bush's National Security Council, pulled no punches. "There's no one in this mix (of the new Clinton team) who has been a major intellectual force in American foreign policy - in or out of office."

But Albright has been a force behind closed doors - as a relative hawk on Bosnia and Cuba and as someone who has openly criticised the Pentagon doctrine of "maximum force" developed by General Colin Powell when he was chairman of the joint chiefs but not entirely shared by Shalikashvili. This holds that US troops should be deployed overseas only in circumstances where an overwhelming military advantage exists - which may not apply in contemporary peacekeeping and humanitarian operations.

The Albright view, as recounted by Powell in his book, is: "What's the point in having this superb military if we can't use it?" That is the daughter of Prague speaking, one for whom Munich, 1938, not Tet, 1968, was the formative experience.

It promises an interesting ride.



Robert Peston on the week when it all went wrong again for the UK Conservative party

Sickbed struggle

The parliamentary Tory party, until recently the most fearsome election-fighting force, is beginning to look panicky.

Sir John Gort, a hitherto obscure Conservative backbencher, yesterday withdrew his co-operation from the managers of the parliamentary party over plans to reorganise his local London hospital. This was tantamount to stripping the government of its majority.

Mr Terry Dicks, his voluble Eurosceptic colleague, threatened to quit the parliamentary party altogether, pleading that he did not "want to be on a ship like the Titanic where the helmsman can see the ice ahead and simply says: 'Let's wait and see what happens.'"

Meanwhile the normally restrained chairman of an important backbench committee, almost in tears, urged the Financial Times to write that "John Major presides over the worst British government since Suez".

What has gone wrong? Only 10 days ago, ministers were saying that a relatively prudent Budget had provided a platform for the party to rebuild confidence and conceivably snatch victory in the general election. Yesterday they only hoped they could struggle on in office for a few more months and somehow find a way to

unite their warring factions. The crisis stems from a disastrous fusion of the three main forces that have consistently destabilised Mr John Major's government: the bitter Tory divisions over whether sterling should join a European single currency; the uncompromising frankness of Mr Kenneth Clarke, the chancellor; and Mr Major's love-hate relationship with the media.

It started three weeks ago, when an alliance of Eurosceptic and constitutionalist MPs became alarmed that parliament's authority was being undermined by European Union negotiations - conducted on the UK's behalf by Mr Clarke - over preparations for a single currency.

Their salvation appeared to have arrived last Monday, when the Daily Telegraph reported that Mr Major was poised to rule out joining the currency for the lifetime of the next parliament.

In fact, Mr Major's strategy was subtly different. Personally persuaded that it would be a mistake to join in the next five years, he was aware that he could not ditch the fiscal policy without triggering the resignation of Mr Clarke - and that

was too big a price to pay. Instead, Mr Major was planning to make clear, in a series of personal confessions - as opposed to government statements - that he foresaw big difficulties in signing up for Emu. The underlying message would be clear: while he was prime minister, sterling would remain an independent currency. But he could also say that, in a formal sense, the government had retained the option to join Emu.

The row, however, had set in train events which may yet prove disastrous for the government. On the morning of publication, Mr Clarke was in Brussels, about to start a particularly delicate round of single currency talks with fellow EU finance ministers. He was on his way to a prearranged BBC radio interview when his officials showed him the Telegraph front page.

His shock can only be imagined. It had become a point of honour that he would never allow the Emu option to be ditched, having against his better judgment conceded to Mr Major's demand last March that a referendum should promise a referendum before joining the new currency.

In the event, he was going to leave no one in any doubt that he would not tolerate any further trimming in the policy - and he said as much in the BBC interview.

But the speculation refused to die - largely because the prime minister, in Lisbon for an international security conference, appeared rather less categorical in his denials. The following day, Mr Michael Heseltine intervened. Like Mr Clarke - and unlike most of the rest of the cabinet - the deputy prime minister was also implacably opposed to any further Euro-

sceptic shift in single currency policy. In yet another BBC interview - and without consulting the prime minister - he said that there was no possibility of the currency option being ditched.

Mr Major's hand had been forced. When he addressed the Commons that afternoon, any sign that he wanted to rule out sterling's Emu membership would have been seen as a snub to Mr Clarke and Mr Heseltine. His two most powerful colleagues. So the prime minister said rather lamely he agreed with what his deputy had said on the currency.

Tory backbenchers - even the more moderate Eurosceptics - were in despair. They started to question who was running the government, Mr Major or his two pro-European colleagues.

And then a media organisation once again played a decisive role in influencing events. A BBC reporter, Mr Jon Sopel, reported on Thursday that Mr Clarke had made a series of remarks to "friends" criticising the prime minister and Mr Brian Mawhinney, the Tory chairman.

This account was highly embarrassing for Mr Clarke, since he had been spotted on Wednesday lunching with Mr Sopel at Chez Nico, a restaurant in central London.

Eurosceptic backbenchers started baying for Mr Clarke's head. Thursday's regular meeting of the 1922 committee of Tory backbenchers degenerated into a shouting contest between supporters of the chancellor and his numerous opponents.

So where will it end? The prime minister will attempt on Sunday to restore order by giving a hastily arranged television interview. However, next week's Commons business will be dominated by the contentious issues of EU reform and the single currency. Eurosceptics disclosed yesterday that they are pinning their hopes on yet another use to force the prime minister to rule out joining - this time by getting him to admit that the UK could not qualify under the Maastricht rules because of its refusal to re-enter the exchange rate mechanism.

Mr Clarke contemptuously rejects this argument. Yet another showdown is in prospect. And for those Tories less passionate about the single currency, it is all profoundly depressing. "It is time to face up to reality," said one of Mr Clarke's friends. "I have come home to prepare for opposition."

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Dons in high dudgeon

Richard Wolfe and Della Bradshaw on the Oxford business school row

The pile of empty wheelchairs and the pungent smell of disinfectant are hardly the perfect introduction to one of the UK's most prestigious business schools. In fact, visitors may find it easier to study an X-ray than a balance sheet at Oxford University's school of management studies.

Based inside the old - but still functioning - Radcliffe Infirmary, the university's first MBA course completed its first term yesterday. The surroundings speak volumes about the ancient institution's attitude towards the study of good management.

As the MBA students prepare to depart on their Christmas holidays, the university's executives remain hard at work trying to revive the sickly fortunes of the centre's proposed new home. Time is running out for Oxford's ambitious 60th (£85.6m) plans to build a world-class management centre in the city.

Four months ago the scheme seemed assured of success. With a £20m donation from Mr Wafiq Said, the Saudi entrepreneur, the university had already chosen a site and an architect.

But last month's vote by dons to reject the site - a sports field used by the university's staff - has raised questions about not just the business school project but the university's ability to manage its own affairs.

University administrators, led by Dr Peter North, the vice-chancellor, are scouring Oxford for a new site before the end of next month, when Mr Said has threatened to withdraw his donation. This week it emerged that the university is also reviewing the role of the charitable foundation which will own and manage the new school building.

For Mr Alexander Murray, history tutor at University College and one of the project's leading opponents, the row boils down to a management problem: "I do sympathise with the vice-chancellor but in a university you have to get a lot of good people on your side."

"Instead this project was announced like the launch of a new Ford car. It was kept quiet until the last moment and then a great advertising campaign was launched. It was the style of a different culture."

The source of the unease is both environmental and academic. Many dons are unhappy with the development of the sports field in Mansfield Road, more than 30 years after the university promised to preserve it as a green site. Non-academic staff feel alienated by the university's willingness to take away their sports facilities.

Other dons worry about the role of the business school foundation. Of particular concern has been the clause which enables the foundation to veto the appointment of the school's

director, and the influence of Mr Said who will appoint six of the 10 members.

However, Professor John Kay, director in waiting of the proposed Said Business School, is perplexed by arguments that the foundation would be able to curtail academic freedom at the business school. He believes he will enjoy greater autonomy than the dons who are protesting, having to please neither government nor university to get funding.

"I will basically be generating my own income and will have my own foundation to draw on," said Prof Kay. "We're free to spend it developing the activities that we want. I just have to make the books balance."

While Mr Said insists the foundation will have no academic or administrative role, critics remain uneasy about its influence.

Dr Mike Woodin, psychology tutor at Balliol College and a city councillor for the Green party, said: "One of the biggest political issues in the university is the allocation of space because everything is so incredibly tight here."

"What might appear to be innocent management decisions about who gets what facilities are significant academic statements. It makes people wonder who Mr Said is, and how the values he espouses may be reflected in the foundation."

The democratic power of the dons to upset the university's leadership has brought renewed attention to the institution's archaic structure. Fragmented between dozens of independent colleges, with relatively little power in the hands of central administrators, Oxford fears it may be ill-prepared to manage itself in the next millennium.

In April a study by Coopers and Lybrand, commissioned by the vice-chancellor, reported that Oxford's complex structure made it slow to react to developments such as research opportunities. Coopers said congregation - the dons' parliament which voted down the business school - should be replaced by a council of college heads and elected dons.

The irony is that if the university finds an alternative home for the school - a commercial site or one owned by a college - it could buy the land without seeking the dons' approval.

Even with such a short timetable, the university is reassuringly unshaken about the future of its flag-ship development. "We have waited 500 years since the medieval monks at Oxford were first taught management skills in how to run their monastic allotments," said Dr Paul Flather, Oxford's director of public relations. "To wait two or three months to get it right and find a proper site is not too much to ask."

A poor impression

UK auction houses are partly to blame for the latest setback in the art market, writes Antony Thorncroft

On Tuesday night in London, Ms DeDe Brooks, the president and chief executive of Sotheby's, along with the heads of its Impressionist and Modern Art Department, gathered around a table by Degas depicting three dancers, and tried to look happy.

The auction house had just sold the sketch for \$2.5m (£3.5m), comfortably above its pre-sale high estimate of £1.8m, but there was no hiding the fact that this had been a rare achievement. Barely half the 53 lots on offer in the big winter auction of Impressionist and Modern pictures had found buyers. The fine art market, which had been steadily recovering from a six-year recession, suddenly looked sickly again.

In all, the auction brought in £13.5m, well below the expected £18m, and a disappointing contrast to the summer sale in June which had totalled £31m. The setback was not a complete surprise. On Monday evening rival Christie's had held a comparable auction, raising £12.6m, at which 54 of the 60 lots were unsold. All Tuesday Sotheby's had attempted to persuade its sellers to lower their reserves, but most refused: they had been persuaded that the art market had recovered its nerve and they expected spirited bidding.

There was no shortage of instant explanations for the poor results. Ms Brooks mentioned the strength of sterling, which deterred American buyers. There was also the proximity of the important New York auctions in November at which even better Impressionist paintings had sold well - the market, still selective, had been saturated.

In addition, Japanese buying, which fuelled the price rises of the 1990s, is still minimal, while the other traditional source of demand

dealers - are reluctant to restock because they are impoverished by six years of poor trading. But the auction houses must take some blame. After deciding last year not to compete with each other on price by cutting commissions charged to big vendors, they exaggerated the likely demand for works of art in order to secure reserves, and the inclusion in glossy, black-tie, evening auctions of paintings that would have sold better in the more modest "second division" auctions.

There is certainly demand for the very best works. At Sotheby's in New York a bronze cast of a dancer by Degas made \$11.8m, a record for a Degas bronze, and a Cézanne landscape \$11m. Christie's secured \$13.2m for a painting by Monet of his garden at Vétheuil, the third highest price ever paid for the artist at auction. After the strong Impressionist sales, there were even better auctions of contemporary art, with *Woman*, a landmark painting by Willem de Kooning, realising \$15.7m, the highest price paid for a work of art at auction this year.

Boyed by these results, the salerooms were optimistic about this week's sales in London. But only the finest works found buyers, and some traditionally popular artists seemed out of favour. Renoir, for example, once beloved by the Japanese, was hard to shift, with two of his major portraits, both of which were expected to make well in excess of £1m, failing to sell.

There was some encouraging news. As in New York, contemporary art seems to be attracting a new generation of collectors. *Sainted figure (Red Cardinal)*, one of Francis Bacon's endless variations

on Velázquez's *Portrait of Pope Innocent X*, sold for an impressive £1.54m at Christie's, while *Letter of resignation* by Cy Twombly - which to many people would look like a mass of crayon squiggles on paper - doubled its estimate to £430,000.

Sotheby's auction was equally strong, with another Bacon portrait - of his companion George Dyer - selling for £716,500, and a photograph-based image by Gerhard Richter going for £562,500, a record for the German artist. There is also support for the younger generation of artists: three movable plaster blocks by Rachel Whiteread found a new home for £23,000.

Given such growth in interest in contemporary art, the poor performance of this week's Impressionist sales might be discounted as an aberration. "It was a useful correction," says Mr Jossi Fytköinen of Christie's. "People had got an exaggerated view of the value of their pictures."

"The top lots did well," says Ms Melanie Clare of Sotheby's, "and with annual net sales of \$65.8m the department is 13 per cent up on 1995."

But both houses need to put together impressive sales next June. For London's position as the equal of New York as a market for post-1960 art - the most important, and profitable, sector of the auction house business - is under threat.

Very few of the works on offer this week came from the UK, or will stay in the UK: London is the entrepôt. In 1998 both Sotheby's and Christie's expect to be able to hold auctions in Paris, where most of the paintings originated. In addition, European Union legislation has forced the London salerooms to add 2.5 per cent value added tax on certain lots originating from out-



Picture of disappointment: Degas's *Vertes* by Degas fetched £2.2m at Christie's on Monday compared with an estimate of £2.5m to £3.5m

side the EU, ending London's status as a virtually tax-free trading centre. And unlike New York, London rarely benefits from the appearance of large lucrative collections forced on to the market by the three "Ds" - death, debt and divorce.

One bad week may be quickly forgotten; but a setback in the summer could undermine London's future. All it has going for it is the knowledge of its experts, and their ability to sniff out major works of art from European collections. They will be under intense pressure over the next few months.

هنگامه من الاموال

UNIT TRUSTS

WINNERS AND LOSERS

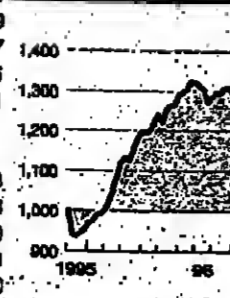
TOP FIVE OVER 1 YEAR

| | |
|-------------------------------|-------|
| Johnson Fry Slaters Growth | 1,429 |
| Jupiter European | 1,359 |
| GT Orient Acc | 1,337 |
| Gartmore UK Smaller Companies | 1,336 |
| HSBC Hong Kong Growth | 1,321 |

BOTTOM FIVE OVER 1 YEAR

| | |
|----------------------------|-----|
| Save & Prosper Korea | 583 |
| Baring Korea | 624 |
| OK Mutual Thailand Acc | 640 |
| Schroder Seoul | 680 |
| Fidelity Japan Smaller Cos | 740 |

Jupiter European



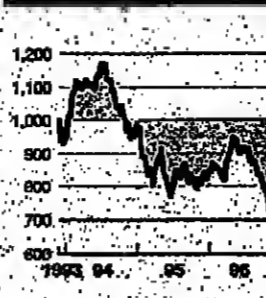
TOP FIVE OVER 3 YEARS

| | |
|----------------------------|-------|
| Hill Samuel US Smaller Cos | 2,028 |
| Profitic Technology | 2,000 |
| Jupiter European | 1,886 |
| PM North America Growth | 1,883 |
| Baring Europe Select | 1,837 |

BOTTOM FIVE OVER 3 YEARS

| | |
|--------------------------------|-----|
| Save & Prosper Korea | 512 |
| Schroder Seoul | 643 |
| Save & Prosper Far East Sm Cos | 649 |
| Gartmore PS Emerging Markets | 659 |
| Govett Japan Growth | 684 |

Govett Japan Growth



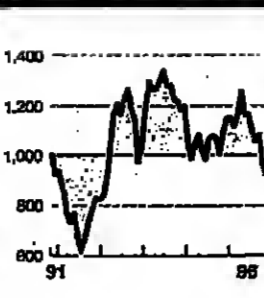
TOP FIVE OVER 5 YEARS

| | |
|--------------------------------|-------|
| Profitic Technology | 4,286 |
| Gartmore American Emer Gth | 4,165 |
| HSBC Hong Kong Growth | 4,072 |
| Perpetual American Smaller Cos | 3,922 |
| GT Orient Acc | 3,894 |

BOTTOM FIVE OVER 5 YEARS

| | |
|------------------------------|-----|
| Friends Prov Japanese Sm Cos | 626 |
| Govett Japan Growth | 846 |
| Baring Uni Japan Inc | 846 |
| Fidelity Japan Smaller Cos | 915 |
| Invesco Japan Growth | 936 |

Invesco Japan Growth



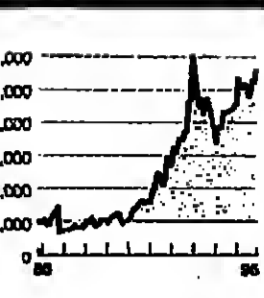
TOP FIVE OVER 10 YEARS

| | |
|----------------------------|-------|
| Hill Samuel US Smaller Cos | 6,768 |
| Gartmore American Emer Gth | 5,864 |
| HSBC Hong Kong Growth | 5,846 |
| Gartmore Hong Kong | 5,701 |
| Profitic Technology | 5,662 |

BOTTOM FIVE OVER 10 YEARS

| | |
|-----------------------------|-----|
| Baring Uni Japan Inc | 745 |
| Mercury Japan | 798 |
| M&G Japan & General Acc | 852 |
| Wavertley Australasian Gold | 856 |
| Capul-Cure Japan & Gen Inc | 950 |

Gartmore Hong Kong



Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

Source: HSW (01625 511311)

Indices

| | | | | | | |
|-----------------------------|------|------|------|------|-----|-----|
| Average Unit-Trust | 1033 | 1169 | 1855 | 2522 | 3.6 | 2.8 |
| Average Investment Trust | 1095 | 1224 | 2034 | 3061 | 5.0 | 4.7 |
| Bank | 1034 | 1113 | 1230 | - | 0.0 | 4.0 |
| Building Society | 1036 | 1115 | 1236 | 1965 | 0.0 | 3.8 |
| Stockmarket: FTSE All-Share | 1147 | 1379 | 2042 | 3455 | 3.3 | 3.3 |
| Inflation | 1027 | 1085 | 1138 | 1540 | 0.4 | - |

UK Growth

| | | | | | | |
|-------------------------------|------|------|------|------|-----|-----|
| Jupiter UK Growth | 1152 | 1874 | 2736 | - | 3.7 | 1.8 |
| Johnson Fry Slaters Growth | 1429 | 1593 | 2365 | - | 3.9 | 0.5 |
| Credit Suisse Fellowship Inc | 1153 | 1591 | - | - | 3.8 | 1.1 |
| River & Mercantile 1st Growth | 1192 | 1588 | - | - | 3.3 | 1.4 |
| Sanwa UK Growth | 1160 | 1851 | 2054 | - | 3.6 | 1.8 |
| SECTOR AVERAGE | 1086 | 1282 | 1882 | 2678 | 3.5 | 1.9 |

UK Growth & Income

| | | | | | | |
|-------------------------|------|------|------|------|-----|-----|
| Family United Charities | 1163 | 1369 | 1909 | 6196 | 3.1 | 2.2 |
| Perpetual UK | 1065 | 1367 | 2365 | 3151 | 3.2 | 2.9 |
| Mercury UK Equity | 1088 | 1367 | 2097 | 3920 | 3.4 | 2.4 |
| Profitic UK Blue Chip | 1117 | 1367 | 2128 | - | 3.5 | 6.1 |
| Cazenove UK Equity | 1081 | 1354 | 1896 | - | 2.7 | 3.4 |
| SECTOR AVERAGE | 1067 | 1233 | 1804 | 2332 | 3.4 | 2.9 |

UK Smaller Companies

| | | | | | | |
|--------------------------------|------|------|------|------|-----|-----|
| Gartmore UK Smaller Companies | 1336 | 1826 | 2154 | 3010 | 3.8 | 0.2 |
| Laurence Keon Smaller Cos | 1259 | 1824 | - | - | 3.4 | 1.2 |
| AES Smaller Companies | 1032 | 1748 | 2263 | - | 3.5 | 0.8 |
| INVESTCO UK Smaller Companies | 1168 | 1881 | 2319 | 2704 | 4.5 | 1.9 |
| Credit Suisse Smaller Co's Inc | 1138 | 1655 | 2272 | 4241 | 3.7 | 0.9 |
| SECTOR AVERAGE | 1101 | 1341 | 1916 | 2837 | 3.5 | 1.8 |

UK Equity Income

| | | | | | | |
|-------------------------------|------|------|------|------|-----|-----|
| Jupiter Income | 1162 | 1652 | 3003 | - | 3.4 | 4.2 |
| BWD UK Equity Income | 1141 | 1434 | 2021 | 2588 | 3.4 | 3.8 |
| GT Income | 1135 | 1415 | 2432 | 3789 | 3.4 | 4.0 |
| River & Mercantile 1st Income | 1101 | 1415 | 1996 | - | 3.4 | 4.2 |
| Britannia High Yield Inc | 1100 | 1367 | 2203 | - | 3.4 | 4.1 |
| SECTOR AVERAGE | 1067 | 1200 | 1850 | 2846 | 3.3 | 4.7 |

UK Equity & Bond Income

| | | | | | | |
|--------------------------------|------|------|------|------|-----|-----|
| Profitic Extra Income | 1063 | 1308 | 1961 | 2938 | 3.0 | 4.5 |
| Balfour Gifford Conv & General | 1030 | 1229 | 2138 | 2274 | 3.0 | 5.2 |
| NSP Higher Income | 1090 | 1195 | 1964 | 3089 | 3.0 | 4.2 |
| Edinburgh High Distribution | 1040 | 1184 | 1808 | 2388 | 3.7 | 4.5 |
| Cazenove UK Equity & Bond | 1060 | 1183 | - | - | 3.7 | 6.2 |
| SECTOR AVERAGE | 1038 | 1120 | 1704 | 2390 | 2.8 | 5.8 |

UK Eq & Bd

| | | | | | | |
|--------------------------------|------|------|------|------|-----|-----|
| BWD Balanced Portfolio | 1124 | 1499 | 2175 | - | 3.7 | 1.3 |
| NPI UK Extra Income Inc | 1078 | 1326 | 2171 | - | 3.0 | 2.9 |
| Perpetual High Income | 1062 | 1312 | 2313 | - | 2.9 | 3.5 |
| Credit Suisse High Income Port | 1063 | 1306 | 2227 | - | 3.1 | 4.2 |
| Canlife Income Dis | 1065 | 1209 | 1806 | 2518 | 2.8 | 3.7 |
| SECTOR AVERAGE | 1065 | 1217 | 1896 | 2593 | 3.0 | 3.4 |

Gilt & Fixed Interest

| | | | | | | |
|--------------------------------|------|------|------|------|-----|-----|
| Abstract Fixed Interest | 1151 | 1203 | 2057 | 2961 | 2.4 | 6.0 |
| Thornion Treasury Inc | 1056 | 1201 | 1806 | 2412 | 1.9 | 6.6 |
| Britannia Gilt & Fixed Int Inc | 1026 | 1185 | 1361 | - | 1.7 | 6.3 |
| Framlington Convertible | 1085 | 1158 | 1800 | 2432 | 2.8 | 5.1 |
| Henderson Preference & Bond | 1079 | 1153 | 1617 | 2293 | 1.9 | 6.3 |
| SECTOR AVERAGE | 1036 | 1071 | 1480 | 2207 | 2.0 | 6.7 |

International Equity Income

| | | | | | | |
|--------------------------------|------|------|------|------|-----|-----|
| GT International Income | 1036 | 1182 | 2060 | 2680 | 2.5 | 3.0 |
| Marin Curie Int'l Income | 1048 | 1180 | 2087 | - | 3.1 | 3.4 |
| M&G International Income | 1035 | 1152 | 1946 | 2545 | 2.8 | 4.6 |
| Mayflower Global Income | 868 | 1143 | 1839 | 1982 | 3.1 | 4.3 |
| GEM Dolphin Int'l Gth & Income | 1021 | 1124 | 1782 | 2034 | 3.0 | 2.6 |
| SECTOR AVERAGE | 1029 | 1129 | 1881 | 2224 | 2.9 | 3.6 |

International Fixed Interest

| | | | | | | |
|------------------------------|------|------|------|------|-----|-----|
| Baring Uni European Bond Inc | 1055 | 1142 | - | - | 1.3 | 6.1 |
| Baring Global Bond | 1049 | 1139 | 1694 | - | 1.7 | 6.2 |
| Mercury Global Bond Acc | 989 | 1093 | 1546 | - | 1.7 | 5.3 |
| OK Mutual Worldwide Bond Inc | 966 | 1042 | 1447 | - | 2.1 | 5.0 |
| Guinness Flight EMU | 980 | 1058 | 1385 | - | 2.2 | 4.8 |
| SECTOR AVERAGE | 952 | 1020 | 1412 | 1630 | 2.0 | 5.3 |

International Equity & Bond

| | | | | | | |
|-------------------------------|------|------|------|------|-----|-----|
| Bank of Ireland Ex Mgd Growth | 1082 | 1307 | 1996 | - | 2.7 | 3.0 |
| NPI Worldwide Income Inc | 1075 | 1300 | 1829 | - | 2.9 | 1.4 |
| Cazenove Portfolio | 1044 | 1258 | 1863 | - | 2.5 | 1.8 |
| Gartmore PS Long Term Balance | 1065 | 1249 | 1989 | - | 2.9 | 3.0 |
| Newton Intrepid | 1008 | 1241 | - | - | 3.3 | 1.8 |
| SECTOR AVERAGE | 1035 | 1154 | 1707 | 2385 | 2.7 | 2.5 |

International Growth

| | | | | | | |
|--------------------------------|------|------|------|------|-----|-----|
| Profitic Technology | 1012 | 2000 | 4296 | 5862 | 6.1 | - |
| Framlington Health | 1068 | 1807 | 2278 | - | 5.8 | - |
| Henderson Global Technology | 940 | 1814 | 2917 | 4662 | 5.7 | - |
| Scott Equitable Technology | 1048 | 1571 | 3484 | 4338 | 4.3 | 0.8 |
| Britannia Int'l Spec Opp's Acc | 1183 | 1463 | 2714 | - | 4.4 | - |
| SECTOR AVERAGE | 1020 | 1166 | 1829 | 2314 | 3.8 | 1.1 |

Nth America

| | | | | | | |
|------------------------------|------|------|------|------|-----|-----|
| Hill Samuel US Smaller Co's | 1270 | 2028 | 3340 | 6768 | 5.2 | - |
| PM North America Growth | 1061 | 1883 | 3448 | 4278 | 4.6 | - |
| Edinburgh N American | 1188 | 1775 | 3089 | 3278 | 3.8 | 0.8 |
| Friends Prov American Sm Cos | 1183 | 1763 | 3294 | 3633 | 5.3 | - |
| Govett American Growth | 1044 | 1732 | 3327 | 3965 | 6.8 | - |
| SECTOR AVERAGE | 1092 | 1399 | 2390 | 2896 | 3.7 | 0.5 |

Europe

| | | | | | | |
|-----------------------------|------|------|------|------|-----|-----|
| Jupiter European | 1399 | 1866 | 2927 | - | 3.5 | 0.6 |
| Baring Europe Select | 1250 | 1537 | 2479 | 2594 | 3.6 | 0.8 |
| INVESTCO European Small Cos | 1278 | 1722 | 2816 | 2514 | 3.5 | 0.6 |
| Gartmore European Sel Opps | 1129 | 1712 | 2626 | 2618 | 3.0 | - |
| INVESTCO European Growth | 1230 | 1706 | 2616 | 2498 | 3.8 | - |
| SECTOR AVERAGE | 1069 | 1365 | 2028 | 2294 | 3.1 | 0.9 |

Japan

| | | | | | | |
|------------------------------|-----|------|------|------|-----|-----|
| Hill Samuel Japan Technology | 803 | 1145 | 1396 | 1866 | 6.4 | - |
| NatWest Japan Acc | 856 | 1048 | - | - | 5.8 | - |
| Marin Curie Japan | 866 | 1041 | 1477 | - | 6.2 | - |
| F&C Anglo Nippon Exempt | 847 | 1040 | 1201 | 1661 | 5.0 | - |
| Schroder Tokyo Inc | 873 | 1014 | 1428 | 2288 | 5.8 | - |
| SECTOR AVERAGE | 815 | 872 | 1125 | 1368 | 5.4 | 0.2 |

Far East inc Japan

| | | | | | | |
|------------------------------|------|------|------|------|-----|-----|
| GAM Far East Inc | 926 | 1112 | 1901 | - | 4.8 | - |
| Perpetual Far East Growth | 1008 | 1108 | 2495 | 3490 | 4.8 | 0.8 |
| United Friendly Far Eastern | 965 | 1104 | 1806 | - | 3.9 | 0.7 |
| Schroder Far East Growth Inc | 986 | 1090 | 2288 | - | 5.8 | - |
| Friends Prov Pacific Basin | 968 | 1080 | 1776 | - | 4.7 | - |
| SECTOR AVERAGE | 952 | 955 | 1829 | 2330 | 5.1 | 0.7 |

Far East exc Japan

| | | | | | | |
|--------------------------|------|------|------|------|-----|-----|
| HSBC Hong Kong Growth | 1321 | 1409 | 4072 | 5846 | 8.5 | 1.0 |
| OK Mutual New Zealand | 1058 | 1248 | 2841 | - | 4.8 | 2.0 |
| Friends Prov Australian | 1059 | 1247 | 1993 | 5544 | 5.2 | - |
| OK Mutual Hong Kong | 1010 | 1190 | 3323 | - | 8.3 | 0.4 |
| Edinburgh Hong Kong | 1060 | 1187 | 2463 | 2991 | 6.5 | 0.9 |
| Henderson Exempt Pacific | 1000 | 1015 | 2518 | 4089 | 6.7 | 0.8 |
| SECTOR AVERAGE | 1000 | 1015 | 2518 | 4089 | 6.7 | 0.8 |

Commodity & Energy

| | | | | | | |
|-------------------------------|------|------|------|------|------|-----|
| M&G Australian & General Acc | 1252 | 1416 | 2168 | 2113 | 6.1 | 2.0 |
| M&G Commodity & General | 1083 | 1374 | 2049 | 2772 | 5.1 | 0.2 |
| Waverley Australasian Gold | 1046 | 1351 | 2543 | 3556 | 10.4 | - |
| Save & Prosper Gold & Expt'n | 1176 | 1190 | 2274 | 1724 | 8.8 | - |
| Hill Samuel Natural Resources | 959 | 1140 | 1578 | 2210 | 5.5 | 0.4 |
| SECTOR AVERAGE | 1028 | 1174 | 2135 | 2054 | 6.8 | 0.5 |

INVESTMENT TRUSTS

WINNERS AND LOSERS

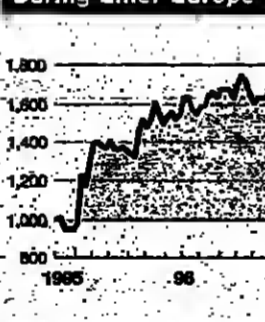
TOP FIVE OVER 1 YEAR

| | |
|------------------------|-------|
| English National | 2,655 |
| TR Technology | 1,779 |
| Baring Emerging Europe | 1,735 |
| Hong Kong | 1,623 |
| SR Pan-European | 1,530 |

BOTTOM FIVE OVER 1 YEAR

| | |
|-----------------------|-----|
| East German | 586 |
| Korea-Europe Fund | 606 |
| Schroder Korea Fund | 612 |
| Invesco Korea | 612 |
| Schroder Japan Growth | 671 |

Baring Emer Europe



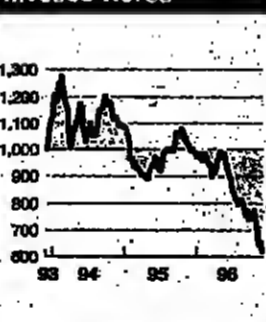
TOP FIVE OVER 3 YEARS

| | |
|----------------------------|-------|
| TR Technology | 2,348 |
| Kleinwort Development Fund | 2,315 |
| Invesco English & Int'l | 2,292 |
| TR European Growth | 2,094 |
| Candover | 2,093 |

BOTTOM FIVE OVER 3 YEARS

| | |
|-------------------------|-----|
| East German | 342 |
| Fukun Capital | 543 |
| Contra-Cyclical Capital | 550 |
| Invesco Korea | 606 |
| Edinburgh Java | 631 |

Invesco Korea



TOP FIVE OVER 5 YEARS

| | |
|-------------------------------|--------|
| TR Technology | 10,563 |
| MGT Capital | 5,766 |
| Hong Kong | 4,535 |
| North Atlantic Smaller Cos | 4,482 |
| Foreign & Colonial Enterprise | 4,475 |

BOTTOM FIVE OVER 5 YEARS

Authorised Unit Trusts

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on +44 (0)1753 4978 for more details.

FT MANAGED FUNDS SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Bank of Ireland Funds, British American Bond, and others, with columns for Name, Price, and % Change.

Table listing various unit trusts such as British American Bond, British American Growth, and others, with columns for Name, Price, and % Change.

Table listing various unit trusts such as British American Growth, British American Income, and others, with columns for Name, Price, and % Change.



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Table listing various unit trusts such as British American Income, British American Property, and others, with columns for Name, Price, and % Change.

Table listing various unit trusts such as British American Property, British American Shares, and others, with columns for Name, Price, and % Change.

Guide to pricing of Authorised Unit Trusts. Compiled with the assistance of AUTIF SS. Initial charges: Charges made by a unit trust manager. Used to defray marketing and administrative costs, including commission paid to intermediaries.

Advertisement for Singer & Friedlander Investment Funds, featuring a stylized 'S&F' logo and contact information.

Weekend FT

The crimes of the past are the ghosts of the present. Christian Tyler asks why the exorcism is so rarely successful

The defendant sat between two United Nations guards, a pleasant-looking, slight young man. From behind a wooden desk he looked across a courtroom resembling a television studio, divided from the spectators by a wall of bullet-proof glass. The actors' voices were relayed by microphone to the auditorium: their movements were followed by remote-control cameras whose muzzles swivelled back and forth like the carriages of nervous sentries.

Drazen Erdemovic, appearing shortly before his 25th birthday, has confessed to shooting up to 100 unarmed youths and men in cold blood. Last week he became the first person for 50 years to be sentenced by an international war crimes tribunal. He was given 10 years in jail.

In modern times, every attempt to settle debts after a major political or military upheaval has proved unsatisfactory, with truth yielding to expediency. In South Africa, South America, Russia, east and west Europe new governments have found themselves stumbling through a judicial minefield. Quick settlements for the sake of "stability" or "reconciliation" leave victims crying for vengeance. Truths suppressed for political or administrative convenience come back to haunt us. The need for justice and recompense seems to be fundamental - even, as in the case of the current outcry in Britain by former Japanese prisoners of war, long after the event it is as if the inhabitants of the present cannot bear to see any sign of damage in the moral fabric left by previous occupants.

"I don't think you can have peace without justice, at least not a peace that's going to be enduring," Richard Goldstone, an eminent South African judge told me when he was chief prosecutor at The Hague tribunal.

The behaviour of the young man in the dock, a Bosnian Croat serving in the Bosnian Serb army, betrayed some confusion. Not surprising. For as well as incriminating himself his testimony had led investigators of the international criminal tribunal at the Hague to conclude that at least 4,000 of the 7,000 Moslems who disappeared

after the fall of the UN "safe haven" of Srebrenica in July last year were executed by the Serbs.

Erdemovic may have been witness to one of the worst episodes of mass slaughter in Europe since the second world war. His account was gruesomely reminiscent of the butchery carried out by Nazi *Einsatzgruppen* in the Soviet Union and German police reservists in Poland drafted in to shoot unarmed Jewish villagers by the hundreds of thousands.

Behind its bullet-proof window, the Hague tribunal is subdued. There is more symbolism than drama. But it was too much for one Serbian observer who introduced himself during an adjournment as a music professor who occasionally reported for SRNA, the Bosnian Serb news agency in Pale. He claimed that Erdemovic's confession was a fraud and the trial was an anti-Serb farce. Truth, he was alleging, was being sacrificed to expediency.

Yet truth, expediency and justice seem bound to collide when the crimes of the old regime are addressed by the new. In Romania last week the outgoing president Ion Iliescu found it expedient to pardon six former Communist party bosses, one of whom had been convicted of mass murder during the Ceausescu dictatorship. In the former Yugoslavia, Nato has not found it expedient to arrest the two men most wanted by the Hague prosecutor for crimes against humanity: Ratko Mladic, the former Bosnian Serb commander, and Radovan Karadzic, the former political leader. The Hague tribunal has indicted 74 people for genocide, war crimes and crimes against humanity. It has only seven in custody.

The collision occurs not only after wars and revolutions but after any political change. It has happened in Latin America after the removal of military dictators and in eastern Europe after the fall of Communist governments. It is still happening in South Africa, where a Truth and Reconciliation Commission is attempting to repair the damage done during white minority rule.

Failure to deal with the unexploded bombs of the



past was one reason why Slovakia split off from the Czech Republic, said Jan Urban, a former Czech dissident of Charter 77 who has studied the way in which regimes handle the legacy of their predecessors.

He has found that in many countries the new leaders, far from giving the past a just and decent burial, use it as a weapon to discredit their opponents. Of Czechoslovakia itself, he said: "I think we repeated all the mistakes ever done before and we added some of our own. Our performance in dealing with the past is very, very bad."

Speaking from Sarajevo, where he works on a mission of reconciliation sponsored by the Soros Foundation, Urban said: "Once you cover over crimes it becomes a habit, and you start pushing political problems away in the same manner." Nothing could be settled in Bosnia until the war leaders had been removed, the criminals tried. He said of the Hague court: "Its meticulous legality is sometimes sickening to many outside the tribunal. But I think it is correct."

France's failure to confront its own past has poisoned national politics for years and has only recently been publicly addressed.

In Italy, too, the past refuses to go away. Italians have been beset by both wartime and peacetime traumas. In August the octogenarian

former SS captain Erich Priebke, who took part in a wartime reprisal massacre of 336 civilians at the Ardeatine caves outside Rome, escaped the sentence of a military tribunal on the grounds that his crime was subject to a statute of limitation.

Priebke was, to some extent, the victim of political expediency. He had been living in Argentina under his own name, and had even visited Italy. It was not until he was interviewed on an American TV network that the public demanded his extradition and trial. When he was released, the outcry was so great that the government was forced to seek a re-trial, which is pending. Equally troublesome has been the near past. The "clean hands" who swept the Augean stables of Italian politics and business find themselves under attack in a campaign by the estimated 5,000 people involved in corruption who hope for amnesty.

Britain is also discovering the consequences of failing to settle the business of the past. In 10 days there will be another hearing in the case of an 86-year-old retired carpenter living in Surrey, southern England. Szymon

Serafinowicz is a post-war immigrant accused of three sample charges of murdering unknown Jews in villages in the Soviet Union in 1941 and 1942.

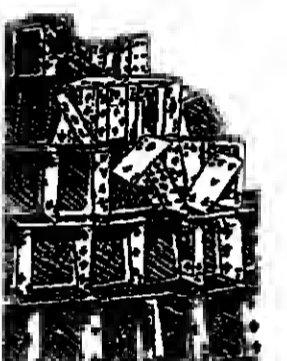
The furor surrounding the prosecution and release of Priebke in Italy will be repeated in England if Serafinowicz comes to trial. The defence barrister, William Clegg, QC, will argue that a lack of witnesses and documents means a fair trial

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Joe Rogaly

Beans and genes

Genetically altered soybeans are in our food - like it or not

In a just world, grotesque punishments would be meted out to Monsanto. This futuristic corporation is insinuating mad-scientist soybeans into our food. The executives who peddle their laboratory-modified comestibles should be made to sprout green protuberances on their cheeks. They would cease to be attractive to the opposite sex. Nobody would invite them for Christmas drinks.

We could invent worse tortures. Squashtubness discourages even as hard a heart as mine from condemning anyone, even a Monsanto person, to be poor. Alas, there is a conceivable circumstance, terrible to contemplate, in which that would be apt. The know-alls who altered the beans cannot know everything, only a lot. There is always the possibility that experience throws up new questions. True, they laboured for years, tested and retested, but you can never be sure.

Hypothesise for a moment. Imagine they missed a bit that harms consumers. A suitable consequence would be for someone to sue our global hawk of laboratory vegetables for every penny it has. The awards against

tobacco companies and the manufacturers of thalidomide would shrink into insignificance. We must hope this never happens.

Did I say mad scientist? That was an error. The inventors of Monsanto's "Roundup Ready" soybeans are presumably sane; the geniuses who devised the marketing strategy ledly so. The genetically modified plants resist the company's weedkiller. Farmers need not douse the soil with poisons before planting, just when weeds appear. Less herbicide is used, less remains in the crop. The relevant authorities in the US and Europe have found no reason to declare the product unsafe. Monsanto may persuade you that the breath of the Angel Gabriel enfolds each seedling.

We have to pray that this is so. The harvest, a 50th of the total US output, is mixed with nature's unmodified beans. None of us will know whether or when we are dining off Big M's plate. The corporate explanation is that this is a commodity, sold in Chicago and such-like places, where traders are anonymous. Cytics-like me wonder whether the whole scheme is a marketing strategy designed in a Monsanto dungeon, under the heading, "avoid-

ance of consumer resistance".

Monsanto may have produced a boon to farming, but it cannot be certain that the product is flawless. We consumers should choose. Heaven alone knows whether Roundup Ready is safe beyond all possibility of doubt. Let us posit that it is. That is beside the point. Supermarket shoppers

should be told whether a package of this or a can of that contains a genetically modified ingredient. It should be written on the box or tin. An information hotline, operated by the company, is insufficient. Labels are what we want.

Impossible, says Big M. Oh yes? Identification is difficult, but not beyond possibility. The corporation could create a niche market for the new beans and by extension the processed foods that contain them. Cereals of organic plants occupy

Side-effects may emerge. We should be given the option not to buy

Special shelves on the vegetable corridors of food shops. If Monsanto is clever enough to transport a gene from one living organism to another, it should be sufficiently ingenious to segment its sales.


Greenpeace informs us that Europeans are wary of genetically modified soya. Kraft Jacobs Suchard, Europe's fourth largest food manufacturer, is said to have told the campaigning organisation it would use only conventionally grown soya. Nestlé in Germany, Unilever in Germany, Sweden and Austria, and other potential buyers are similarly credited with having proffered the purity pledge. Most British food processors and retailers appear to be shrugging their shoulders.

The above paragraphs do not constitute an attempt to put the frighteners on. There are plenty of people to do that. Some of them are well regarded, others not. The words "genetically engineered food - a serious health risk" appear at the head of a pamphlet put out by Britain's Natural Law party. It refers to Maharishi's Vedic science. This is not likely to influence many voters. Greenpeace, a formidable media manipulator, is imperfect, but it commands some respect.

Scuttling to safer ground, let me comment the usual line produced in response to such ravings. Everything we make, buy, or sell carries some risk. All that can be expected from new products and processes is that whatever seems necessary has been done to identify and minimise that risk. There is danger in getting up in the morning, they say, and in crossing the road. True, but in this instance it is the purveyor, not the consumer, whose risk assessment is to prevail.


What worries some of us is the addition to risk inherent in the increasingly rapid output of genetically engineered foods. Scientists could not have foreseen the harmful effects of DDT. They were unable to forestall the development of antibiotic-resistant bacteria. The argument about the degree to which pesticides are harmful if ingested over a long period persists.

Changing genetic structures holds out the promise of betterment of human health and wealth just as did these earlier laboratory products. Against that, it is possible that unknown side-effects will emerge. Customers should be given the option not to buy. If the market does not provide that, regulators should.



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INSTRUMENTS FOR PROFESSIONALS

PERSPECTIVES

The Nature of Things

A subject to get your teeth into

Clive Cookson dares to weigh up the benefits of fluoride in drinking water and toothpaste

There are a few subjects about which science journalists write at their peril, knowing that they invite a deluge of passionate correspondence. One is the origin of the universe, another is fluoride. Apart from reproductive issues such as abortion, it is hard to think of a medical controversy that arouses stronger feelings than adding fluoride to water supplies. For 50 years supporters have proclaimed the benefits of fluoridation: that it greatly improves dental health at low cost and without adverse side-effects. And opponents have denounced it on ideological and medical grounds, as compulsory mass-medication that causes problems ranging from discoloured teeth to brittle bones and cancer.

The row over fluoride safety was re-ignited in the UK last week when Colgate-Palmolive, the toothpaste manufacturer, made a goodwill payment of £1,000 (without admitting liability) to a 10-year-old boy who suffered from dental fluorosis - mottling of the teeth due to excessive fluoride consumption. Two hundred families are said to be claiming damages for fluorosis from toothpaste companies in the UK.

But the fluoride lobby, which includes the whole medical and dental establishment from the Royal College of Physicians to the World Health Organisation, argues that such cases result from grossly excessive consumption of fluoride toothpaste, for example by children who regularly suck toothpaste tubes or swallow toothpaste after brushing their teeth.

Doctors say there are no harmful effects when fluoride is added to drinking water at the recommended level of one part per million and toothpaste is used properly. Young children, who have not learned to spit out properly, should be given pea-sized blobs of children's toothpaste (which contains lower concentrations of fluoride than adult brands).

Fluoride ions - negatively charged atoms of the element fluorine - occur in nature, for example in the beautiful mineral fluorapatite (calcium fluoride). Fluoridation started in the 1940s, after dental scientists found that people who drank water with naturally high fluoride levels had healthier teeth.

Scientists believe there are three ways in which fluoride reduces tooth decay. First, it is incorporated into the crystal structure of tooth enamel - which is made of a mineral appropriately called apatite - and strengthens it against attack by acid. Second, fluoride promotes the "re-mineralisation" of enamel, so that microscopic cavities are repaired. And, third, it inhibits the production of tooth-eating acid by bacteria.

In the US, about half the population get drinking water from municipal supplies containing added fluoride. In the UK, the corresponding proportion is 10 per cent, mainly in the West Midlands and north-east England; another 5 per cent live in areas where fluoride levels are naturally high.

Anti-fluoride campaigners have prevented any significant new fluoridation schemes going ahead in the UK for more than 10 years. Although many health authorities have requested fluoridation and government funds are available for agreed schemes, water companies are inhibited by fear of legal action.

In some developing countries, where natural fluoride levels are locally very high, skeletal fluorosis - causing brittle bones - can be a serious health problem. An estimated 25m people are affected in India.

Minding Your Own Business
Tapping into India's software specialists

Grania Langdon-Down traces the origins of a Bristol-based IT services company with worldwide links

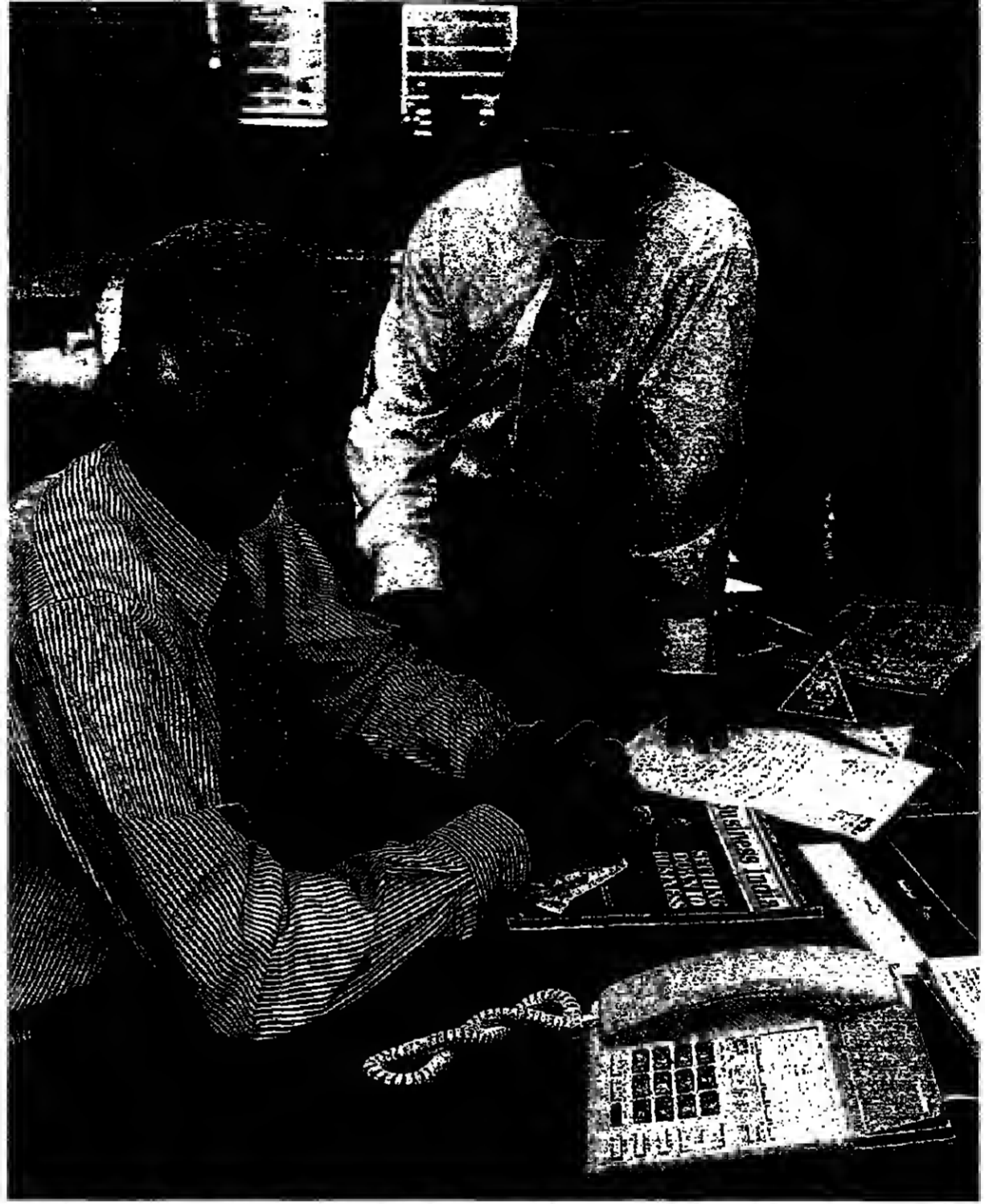
When Mike Cast set up a business link with India four years ago, he was surprised at the level of scepticism among some UK companies. "The perception of India was poverty, third world, third rate. But in reality India is the second largest software producer in the world," he said.

His company now taps in to the abundance of highly skilled computer specialists in India to supply a UK market starved of software experts. "I think attitudes have changed, mainly driven by the lack of properly qualified people in the UK," Cast said. "India's three top professions are medicine, law and computing - it has some of the best mathematicians in the world. Compare the abundance of highly skilled individuals with the UK, where demand for people far outstrips supply."

Now 41, Cast spent 15 years working for an American computer company, ending up as account director in Bristol. He wanted to set up on his own but moved jobs once more, becoming business development director for UPSI, a Bristol software company. While working there, he met the chairman of Mastek, an Indian software company with 700 employees and offices around the world. Cast suggested being his representative in the UK but

nothing conclusive came of the meeting. In 1991, at the height of recession, Cast left UPSI to set up Remus Systems Ltd with a friend, Roger Montague, as co-director. "They had the exclusive distribution rights for the payroll and personnel software produced by an Australian company, but business was slow. "We were renting tiny offices in the UPSI building and did not take a salary for 14 months. Then I had my first son and I was desperate to make some money. I felt at my most vulnerable," said Cast. Cast managed to pay regular bills by producing three plastic books for adults to read in the bath - an idea that came to him in the bath. Gradually, the software business picked up and in 1993, Remus achieved its best turnover of £300,000 and Cast sold it to the Rover Group. Cast had kept in contact with Mastek and India's leading role in software development had stayed at the back of his mind, and he decided it was the right time to concentrate on Carter Cast Systems, a company he had set up in 1992, also with Montague as co-director, but which had been left dormant since its start-up. A deal with Mastek followed and the company became the exclusive outlet for Mastek's services in the UK. This meant it could supply UK

companies with India's IT specialists at a much lower cost than their UK equivalents. The longer term aim was to encourage UK companies to have their software developed in India. Carter Cast Systems' first contract came in 1993 when a large supermarket chain, formerly a client of Remus, complained that it could not find anyone to work on its software. The contract was to provide six software specialists to travel from India and was close to having its processing system rewritten by a UK company. Detailed discussions between Cast and Klein took six months, but eventually won the contract. The software was developed in Bombay. "We did it for roughly 40 per cent less than the UK company. The contract was for £400,000 and we had 21 people working on it in India and the UK. Commercially it was a very tough deal because he paid only when we delivered." Cast said their turnover had risen from £200,000 in 1993-94 to £1.25m in 1994-95 and £2.5m in 1995-96, when profits reached 15 per cent. The target turnover for 1997 is £3.8m, with committed orders already worth £2.5m. Its biggest single contract is with a UK software house which supplies local authorities and is worth £1.8m over three years. Overheads are kept low, though airfares and telephone bills are inevitably high at £5,000 a quarter. "All our business comes through word of mouth. We do not do any advertising," Cast said. "India is winning business because it offers both quality and value for money. "People ask me if we are taking jobs from the UK market. But a lot of our customers are UK software houses and we enable them to remain competitive and bring their products to market quicker. "It is also not a question of exploiting people from a poorer country because those we employ are paid very well and come to the UK to enhance their careers." It had always been Cast's dream to run his own busi-



Mike Cast and operations manager Joe Venkaraman (right) entrepreneurs' fair has found new life at Mastek (UK)

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At war with truth and justice

Continued from Page 1

is impossible. This prosecution was made possible by an Act of Parliament passed in 1991 after a furious debate which set the elders of the House of Lords against the post-war generation in the Commons. Twice the Lords rejected the bill and a rare procedural measure was invoked to get it on to the statute book.

Once again, expediency found itself at war with justice, with truth caught in the middle. The point was made explicit by Lord Dacre, the historian Hugh Trevor-Roper, who attended the Nuremberg trial in 1946, the Eichmann trial in 1961 and the Auschwitz trials in Frankfurt in 1963.

"Why do we have war crimes trials?" he asked. "What is the point of them?" Retribution was primitive, punishment pointless, and reform probably too late. Answering his own question, he went on: "Surely the purpose of war crimes is exemplary." It was to re-establish the rule of law so monstrously broken. Such trials were in their time politically and historically expedient. But, he argued, no longer.

The Commons took

another view. For them, as for many of the younger generation, the truth takes precedence. A new claim by Nazi hunters that there were up to 300 war criminals living in England had to be tested, and justice done if possible. As Lord Ferrers, of the state prosecutor, put it, nobody would have chosen to resurrect "all the passions, agonies, memories and animosities" of the past. But "whether we like it or not, these terrible facts are before us".

Lord Shawcross, a member of the team that prosecuted 21 Nazi leaders at Nuremberg, said the government had ceased prosecutions in 1948 because "the great British public was beginning to feel doubtful about the validity and propriety of victors' justice". He suggested that a generation ignorant of war had a more "simplistic" idea of right and wrong.

The Allied victors held a list of nearly 3½m suspects in the American zone at the end of the war, of whom nearly 1m were actually tried. All but 622,300 were amnestied or exonerated. Most of these were fined, banned from office or given reconstruction work. Some 93,500 serious offenders were sent to prison or labour camp, but by the end of 1949 only 300 were still serving their sentences. The onset of the cold war, and the need to build West Germany as a

bulwark against the Red Menace, meant that the business was deliberately left unfinished.

But how far can the victors go? The numbers involved are enormous. "Justice cannot do everything," said Willi Dressen, the state prosecutor of the investigation centre for Nazi crimes at Ludwigsburg in Germany. He said many cases sent to local judiciaries were not taken any further. "If you see the figures you cannot be satisfied. Politicians and society as a whole must play their part."

"Whether we like it or not, these terrible facts are before us"

The new government of South Africa thought it had the answer to these problems when it set up the Truth and Reconciliation Commission under the presidency of Archbishop Desmond Tutu in July last year. The commission is empowered to give indemnity from prosecution to anyone who makes a public confession of a "politically motivated" crime committed between 1960, the year the African

National Congress was banned, and the end of apartheid in 1993. Those whose crimes are particularly heinous, however, will have to face the courts. The cut-off date for amnesty is next Saturday.

In these proceedings justice is subordinated to truth, and publicity is intended to replace vengeance. And, indeed, some victims of apartheid-era atrocities appear to have found requitment in the public hearings.

Civil rights experts are worried, however. "It is clear this commission has a political agenda," said Paul Ferrera, spokesman of the South African Institute of Race Relations. "There is no doubt that its aim is to rewrite history and exonerate one side - the ANC."

The institute, non-political and independently funded, deplors the attempt to cast apartheid as a crime against humanity; it says the commission is subverting the law and driving a wedge between blacks and whites.

Some experts regard Chile's truth commission as the best model. There, amnesty for both sides had been the price of replacing General Pinochet's military rule with democracy; but the old regime and the new were equally represented on the commission and the members came from all sections of society. An even number

of commissioners ensured there was no casting vote. Cases were heard *in camera*, and there were no incentives to testify.

Although truth was the aim, there was some sacrifice of truth since it was mainly victims who came forward to speak. But the commission's final report made the previous regime's culpability absolutely clear.

"Revealing the truth is the first step because it delegitimises crime and acknowledges the victims," Jan Urban said. The Nazi-hunter Simon Wiesenthal declared that in South Africa, as in Europe, the only solution was to bring murderers to trial. "What is the whole value of my work?" he said from his office in Vienna. "It is a warning for the murderers of tomorrow." Crimes against innocent people cannot be forgiven. A murderer, even if he is 100 years old, remains a murderer.

The time to show mercy is after conviction, not before it, according to David Cesarani, professor of modern Jewish history at Southampton University. Calling for the Hague tribunal to be made permanent, he said: "Since 1945, everywhere you look, justice and truth have always come a poor second and third to expediency. In all these cases we are building up trouble for the future."

Asleep are Cape H...

JAVICO LTD

PERSPECTIVES

Tax haven keeps revolution at bay

Chrystia Freeland finds the people of Ingushetia to be more keen on finance than fighting

John Le Carre devotees will already be familiar with the Ingush, a people living in Russia's north Caucasus who were the noble mountain heroes of the novelist's first post-cold war paperback.

Four years after Le Carre's *Our Game* was published, the Ingush have made their first real life appearance on the world stage and their chosen role could not be more different. From the romantic tribal warriors Le Carre depicted as a foil for the amoral intelligence agents of the west.

Instead, the Ingush, whose name in their own language means "people of the mountain turrets", are hoping to follow in the footsteps of the Swiss, the Bahamians or the Cypriots by turning their corner of Russia into one of the world's premier offshore banking havens.

"Nazran (the capital of Ingushetia) will be a second Hong Kong," promised Mikhail Gutserev, the banker and politician who is one of the driving forces - and chief financial beneficiaries

- of the Ingush people's new economic project. "We have created what will be the premier offshore zone for people of the CIS, for Russian speakers, who have a hard time travelling to Malta or some place like that."

Ingushetia's offshore zone made its international debut last month in Islington, north London. The Russian republic's stand at a trade fair of off-shore zones attracted a steady flow of interested, if somewhat bemused, visitors.

"Where exactly is Ingushetia?" more than one polite English voice inquired on seeing signs promising exemptions from all Russian taxes and absolute confidentiality to investors.

The Ingush off-shore zone, and a special economic zone for Russian residents which was set up two years earlier, are almost as

unknown in Russia itself, but this obscure corner in Russian tax legislation typifies the often bizarre marriage of money and high politics which governs the new Russia.

As Russian Aushev, the president of Ingushetia, explained at the trade fair, his republic won its tax perks thanks to its delicate geographical position, cheek-by-jowl with rebellious Chechnya. Ethnically, historically and religiously kin to their Chechen neighbours, the Ingush might have been expected to fulfil Le Carre's prophecy and join their cousins in a bloody revolt against Russian suzerainty.

Instead, a healthy scheme of financial incentives has kept Ingushetia in the Russian Federation and the Kremlin is now drafting a similar programme to subdue the belligerent Chechens.

"Yes, we do get some critical comments from bean-counters in the Ministry of Finance," explained Aushev, the Soviet Union's chief of staff in Afghanistan. "But for Russia, the most important thing is the situation in the Caucasus. They spent trillions and trillions of roubles on the Chechen war, so it is worth a little money in lost taxes to stabilise Ingushetia."

The free economic zone - Ingushetia's system of tax breaks for Russian residents - has proved popular among some of Russia's corporations. Their reluctance to pay taxes has become the Kremlin's biggest economic problem. Lukoil, Russia's biggest oil company and Logovoz, the car dealership of which Boris Beresovsky is head, is part of a group of seven businessmen who dominate Russian

politics. Both have branches registered in the Ingush zone.

Aushev is eager to attract more foreign companies. He is a broad shouldered, mustachioed soldier who, like his friend and comrade-at-arms, Alexander Lebed, the Russian general, first ventured beyond the border of the Soviet Union in 1980 when the Red Army invaded Afghanistan.

To achieve his aim, Aushev's Ingushetia is willing to take the sort of aggressively relaxed attitude to the provenance of its investments that is swiftly vanishing in the world's more established offshore banking centres: "On the question of what colour money is - dirty or not dirty, green or blue, in a world of huge financial flows it is impossible to tell... dirty money can run through any system, it is not just a problem for us but for the

whole world."

Gutserev, whose bank, Bin, is the official bank of the Ingush special economic zone, is even more mellow. Asked about the danger of criminal money flowing into the Ingush offshore zone, Gutserev, whose Ingush-based property has catapulted him into the job of deputy speaker of the Russian parliament, where he represents Vladimir Zhirinovskiy's ultra-nationalist party, is philosophical: "It is dangerous to walk out on to the street - you might get run over... Everything in life is dangerous... if you look at this world with eyes of fear, you might as well not even get out of bed."

The Ingush authorities, keen to attract what they diplomatically describe as "Russian speaking" investors to their zone, appear to have accurately judged the mind-

set of their target clientele.

At his presentation in London, Aushev tells a concerned Briton from the audience that "the appropriate officials" will check clients of the offshore zone.

The western listeners are reassured. But even this gentle response is too much for the "Russian speakers" who dominate the Islington seminar.

"I told you, if we put our money there we might as well just send a letter to the KGB with our names and addresses," a Muscovite tells her companions as she leaves the hall. "Effectively what Aushev said was, 'Welcome, come work in the zone and we will give your money to the KGB'."

As Le Carre observed in his novel about the savage honour of the Ingush people, these mountain fighters have traditionally prided themselves on being men of their word. As they enter the unfamiliar world of global offshore finance, the Ingush are still struggling to find a way to convince investors that their ancient customs continue to apply.

A tournament is in progress. Players sit at tables divided by a diagonal screen. You can see one opponent, but not your partner. The tables have screens underneath to prevent foot signals.

The players are prevented from speaking, in case the intonation in the voice gives away unauthorised information. Then, the auction begins and bids are made using printed cards, passed around the table, or under the screen.

This is the world of modern bridge, a pastime that used to be just a card game. One player recently described tournament bridge as being like a two-week prison visit, and the common consensus is: "It's a nightmare."

Bridge has reached crisis point. For now, the crisis is contained within the ranks of the serious player, but it is seeping into comfortable drawing rooms and church hall bridge circles.

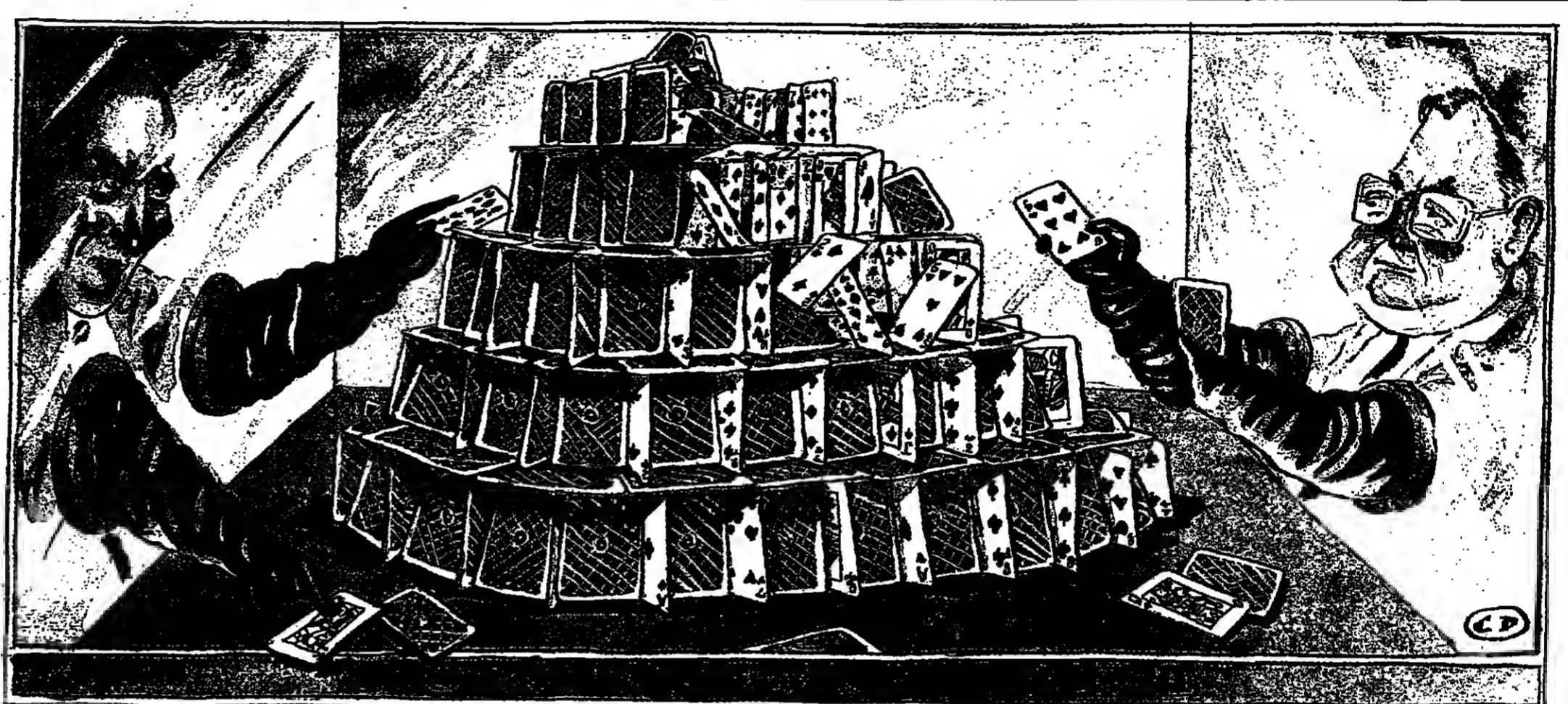
It is a manifestation of a maleise attacking many sports, affecting the very form and process of our games. The plague is technology. It attacks sports such as motor racing, tennis and golf. But in bridge, the technology is different - it involves the evolution and use of the bridge language.

Although the basic language is similar worldwide and involves only 38 words, there are countless variations. Forty years ago there were perhaps 50 of these, known as systems, conventions or "gadgets"; now, there are thousands.

The language is important in the first part of the game, the bidding, in which partners describe their hand to one another using bridge language. The highest bidder then plays out his own and his partner's cards, aiming to fulfil the bidding target, or contract.

This "linguistic technology" increases accuracy when partners are describing their hands to each other at this stage. But it has serious negative side effects: bridge becomes harder to teach and master, it becomes less of a spectator sport, and it further divides the social game from the expert, virtually splitting the sport into two separate forms.

The late E.P.C. Cotter, FT bridge correspondent for



A game - or a battle of words?

Some say technology has made bridge 'a nightmare', threatening its future. Paul Mendelson reports

more than 30 years, was characteristically blunt: "All these gadgets are for players who don't know how to play their cards."

Now, the backlash has begun, and it is coming from a most unexpected quarter - the experts themselves. Bob Hamman, the world number one, put it in a nutshell: "We have taken a great game of skill and logic and turned it into a trial of language."

Worse still, Hamman says, is that the game is making itself more and more exclusive, when it should be making itself more accessible to new players.

A key rule of bridge is that all partnership arrangements must be made known to opponents before the game begins. To have a secret agreement is cheating. But the more variations

there are, the tougher it is to police that rule.

Card play has developed steadily, and new insights are rare. In the bidding, however, innovation abounds. Expert pairs - many are stockbrokers, futures dealers, or have careers in risk management - may take hours, sometimes weeks, to prepare each element of their language for a big tournament.

The world's most successful pair, Jeff Meckstroth and Eric Rodwell, have spent a lifetime improving their bidding methods. Rodwell is responsible for most of the innovation; Meckstroth just has to remember it all.

It is far from clear who has the easier task. Limited to a vocabulary of just 38 words, the meanings of the codes have always

changed depending upon their context in the conversation.

Today, every single bid right up to the final contract may be an artificial code, requiring all the players to have huge resources of memory and concentration.

These innovations have served to breed mistrust among tournament competitors and administrators - hence the screened tables, silent bidding and disaffected players.

Spectators are equally unenthusiastic. Watching at the table is often prohibited, but in any case, little can be seen. Most watching is done in a darkened room - a small cinema with two screens. One shows players in a particular game; the other shows the cards while a team of experts

Robson and Tony Forrester, are playing, the crowds are sometimes six deep.

In 1997, the event is also going to feature strict limitations on the linguistic technology used. A poll of potential competitors has failed to find a single one who objects to this development; many have said they felt it inevitable if the game was to survive.

Some may feel the event is being devalued. But the consensus is clearly that the 1997 championship will be the best test of bridge skill seen for many years, returning the game to its challenges of logic and psychology, rather than a battle of linguistic technology.

Asleep around Cape Horn

Richard Donkin reports from the world's wildest stretch of ocean

Richard Donkin is competing on the yacht *3Com* on the *Rio de Wellington* leg of the *BT Global Challenge* round the world race.

It was a difficult call. A pressure pump in the water-maker had broken. We were 30 days out of New Zealand, yet to round Cape Horn, and there were no spares.

Consultations with the pump makers and the *BT Global Challenge* headquarters left David Tomkinson, the skipper of the yacht *3Com*, with the problem of whether to ration supplies from the four water tanks, each holding 100 gallons, or whether to make for Port Stanley in the Falkland Islands and await a spare.

Loss of the water-maker was the final disappointment after a series of mishaps had frustrated our attempts to join the contest for the lead. An apparently slow start left us with every chance of closing with the leaders since *3Com* had deliberately steered a true

course instead of sailing westwards, a tactic employed by many others.

As we converged, nearing the tip of South America, we found ourselves fighting with three boats for a possible fifth place but fell back when we lost our final usable spinnaker.

Spinnakers are giant triangular light-weight sails flown in front of yachts to breeze. They billow out like bed sheets in the wind.

The first one blew out in an electrical storm last week. The final spinnaker was a fine locking sail, complete with its promotional logo. We consorted it and fretted over every rise in the wind.

In the end it was the hail that did for it - great nuts of ice like flattened golf balls. They bounced off the steel hull like peas on a drum and weakened the spinnaker until it ripped apart.

The seam of a spinnaker sail is about 75ft long. Several of ours have split along their entire seams. The



Richard Donkin aboard *3Com*; in no mood to celebrate

Yet when it came, Cape Horn was something of an anti-climax. Unlike reaching the summit of a mountain, the passing is noted only by sailing over 67 deg 17 minutes longitude, the north-south axis of the promontory.

I could write of a rocky wasteland and of waves as big as houses, as indeed they are, but the moment itself was quite different.

The truth is recorded in my diary: "Well we did reach the horn and we have passed it. I have rounded Cape Horn. Not many people can say that. It was dark at the time and I was asleep, not that there was anything to see."

"We are about 20 miles south of it. Some celebrated with a tot of whisky. I did not. You don't feel like celebrating much when you have been awoken at 2am and find your four-hour watch has been extended to five because of a time adjustment and you have to put two reefs in the mainsail in a force eight gale and freezing rain."

Somewhere out in the gloom was Cape Horn Island and a small unit of soldiers enduring what must be the worst posting in the Chilean army. We would have gladly swapped them our berths.

Now, we have turned the corner of a continent with 4,000 miles of cold, grey ocean waste before us.

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HOW TO SPEND IT

Life with the spirit of a lost daughter

Lord and Lady Paul tell Grania Langdon-Down about the things they really value

Tragedy brought Lord and Lady Paul to the UK 30 years ago, driven by the need to find the best medical treatment for their two-year-old daughter, who was dying of leukaemia.

but I have never considered that it belongs to me. I believe that I am its trustee and my job is to create more wealth. There is more fun in creating it than spending it - I do not get any pleasure out of being extravagant.

Are there any possessions which you particularly cherish? "I am not a collector - apart from companies, my wife would say - but two things which are special to me are gifts from Indira Gandhi: a jade Buddha and a Chinese picture of a girl and a deer made out of shells."



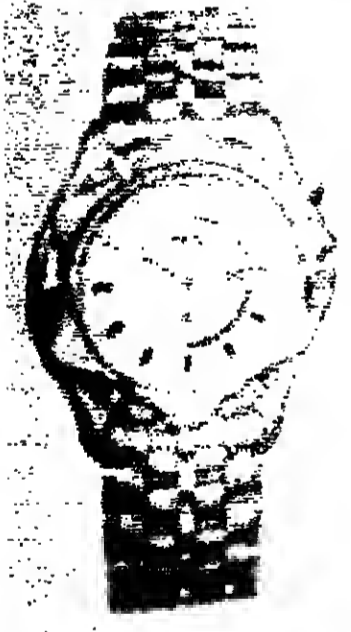
Material needs are secondary to Lord and Lady Paul: "When we came to London, we brought nothing but our need to help our sick child"

For the next 20 months, Ambika was in and out of hospital until she died in April 1968. Devastated, her father, a devout Hindu, spent 18 months in mourning and meditation. He found it hard to make peace with himself so decided to build a new life in the country where she had died and where he felt her spirit remained.

London

Up until 1991, I do not think I spent more than two weeks at a time in London, in between travelling on business to America and India. The first holiday Aruna and I ever took was a cruise five years ago to the Baltics which my son won in a raffle. He said 'Papa and Mummy, you must go on it' and it was so nice of him, we could not say no.

Good-bye Battery



SEIKO KINJI III

The Financial Times plans to publish a Survey on Merseyside on Thursday, February 2

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Source: BBS 1995 and Chief Executives in Europe 1995

FT Surveys

to exhibitions and markets, like Camden and Covent Garden. Known names already make money whereas there are many young people producing interesting things who need support.

North Audley Street in the West End which is combined with a new Indian boutique. "For my husband's 60th birthday, I commissioned the American sculptor Danny Lane, who designed the glass staircase for the V&A's glass exhibition, to make six turquoise glass paneled doors with steel frames for the

entrance to the flat. "To me, glass is better than precious stones because it has reflection and colour and clarity and elegance."

market on which I can design embroidery or add beaded lace for scarves and saris. I take it to a tailor in Calcutta and collect it the next time we visit.

much of the room I feel I should use it and now I do not feel well if I do not use it every day!"

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HOW TO SPEND IT

Camel lightens up for a new lease of life

Marion Hume reports on the designers who have refreshed a wardrobe classic



Cashmere coat, £1,725 by Michael Kors from Dickins & Jones, Regent Street, London W1. Chocolate brown cashmere/lycra dress, £1,575 and suede boots, £470, both by Ralph Lauren, 143 New Bond Street, London W1.

Perhaps it was the American, Bill Blass, who started it in New York's autumn fashion shows in 1964, he presented a chiffon cocktail dress topped with a cosy, camel coat.

This spring, Helmut Lang, the modernist and radical designer, took the same classic coat and juxtaposed it with one of those disturbing dresses which looks as if it is made out of underwear lace and elastic.

The coat was given another airing at John Galiano's Givenchy Haute Couture show in July. In among the see-through Empress Josephine gowns and the jaunty 1930s-style bias-cut dresses was that sturdy and familiar garment. Clearly, the camel coat was on its way back.

It is often said about fashion that the same clothes come around again and again. In the case of the camel coat, that is only partly true. Certainly, it is possible to find a well-made camel coat that is second-hand, yet looks absolutely right. For instance, I found a vintage version for £180 at The 1920s-70s Crazy Clothes Connection, 134 Lancaster Road, London W11. But the other camel coats, photographed from this winter's collections, are not quite as you might remember them.



Textured coat, £178, by Jigsaw. Lace dress by Future Ozbeck, £200, at Browns 23-27 South Molton Street, London W1. Black patent shoes, £165, by Stephane Kellin, 48 Sloane Street, London SW1. (Tel: 0171-236 9458). Photographs: Andrew Lamb. Styling: Christie Harrington. Hair and make up: Alex Sebasi

The most noticeable difference is that camel has become blonder. In the dressing gown wrap coats of the 1920s, the long slim coats of the 1940s and the military helmed styles of the war years, camel was not a creamy, soft beige but a grubby, muddy brown. What is called camel today is in reality much closer to that lovely honey tone of a pedi-

gree Persian cat. Still, the good news is that the lighter camel of the 1990s is less dowdy and more flattering, lighter against the skin and more cheery in the grey light of a British winter.

The style of the coats has changed too. The designer versions you see on this page, by Michael Kors, an American designer whose hallmark is understated luxury, and by Marni, one of the newer and much sought-after labels from Italy, are far less weighty than the classic camel coats which date back to flapper days. Aquascutum has a version that looks familiar, reminiscent of the *Georgy Girl* style of the 1960s, but in fact it has more swing and is less boxy with a fluid movement.

So too does Sportsmax, which has a coat that looks very familiar, but is, on close inspection, familiar yet better. The problem with the old-fashioned camel coat was that it was a bulky garment. The Sportsmax version, although it would keep you warm and dry, is lightweight enough to squash into the top of a roll bag.

When it comes to the coat most similar to the earlier versions, the Jigsaw coat, which is extremely well-priced, replicates the nice hairy texture of old.

The silhouette to look for is short and swinging or slightly longer, to just-above-

the-knee, and slim. The real camel coat story this season is one of changing proportion, as Galiano demonstrated when he slung his version over an evening dress which one might have expected to be accompanied with a floor-length, billowing opera coat. There is a lightness and a youthfulness to this season's camel coats. This season's sturdy garments can look fresh without looking inappropriate.

Of course, your camel coat will outlast the year - for who would want to buy a good coat and have but one winter's wear? The coat you buy this season to sling, in jaunty style, over an evening dress, will be perfectly practical in 10 winters' time, perhaps for weekend wear over jeans, or perhaps, in 20 years, as your cosy coat for walking the dog.

The one "vintage" coat I saw at the Crazy Clothes Connection may have gone from being someone's coat of the season 20 years ago to being a re-saleable old favourite.

Whoever buys that coat now might wear it. Galiano-at-Givenchy style, to the opera. Or over tailored trousers. Whatever, it is ready for a new lease of life. Some looks - like the slouchy, throwaway chic of Lauren Bacall, who has always looked good in a camel coat - never go out of style.



Beige coat, £835, by Marni. Rose print dress, £730 by Dolce & Gabbana both at Browns, 23-27 South Molton Street, London W1. Black and cream leather weave shoes, £150, by Stephane Kellin, 48 Sloane Street, London SW1.

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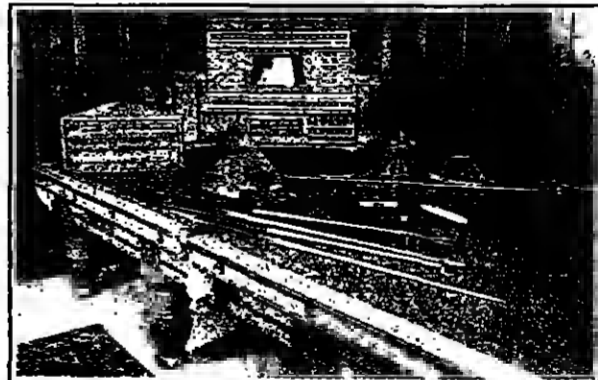


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HOW TO SPEND IT

The Seven Ages of Man Middle-aged male with an eye for quality

Lucia van der Post on what to buy the man who has acquired a taste for the finer things in life

The years are passing. Our hero has moved into middle-age and with it he has acquired a taste for some of the finer things in life. Nephews and nieces are sometimes inclined to give him jokey presents in vulgar colours or things that make loud noises but on the whole he is infinitely prefers things of proven value.

Those on limited budgets should concentrate on just one or two small things of real quality. For instance, Marks and Spencer sells a little rack of proper balsamic vinegar, fine olive oil and red wine vinegar, all in a sleek chrome holder for just £9.99. Also from M&S is a neat gadget to weigh your luggage (useful if he's going places where luggage allowances are strictly followed) for £5 and a mini Flashlight for £3.50. For a little more you could give him a whole British cheese, from £18, from Neal's Yard Dairy, 17 Shorts Gardens, Covent Garden, London WC2 (tel: 0171-379 7645).

Barclay & Bodie, a charming small shop at 7 & 9 Blenheim Terrace, London NW8, with a splendid mail order catalogue (tel: 0171-722 8873), has chic terracotta plant labels made by an English

Shakespeare's fifth age

And then the justice
In his round belly with good capon lined,
With eyes severe and beard of formal cut,
Full of wise saws and modern instances,
And so he plays his part.

potter and shaped like garden pots or trowels. A set of eight costs £15.99.

A box of three beautiful pure vegetable soaps, lightly scented with sandalwood, cedar and rosewood costs £19.95 from English Garden, 3 Langley Business Centre, Station Road, Langley, Berkshire SL2 8DS. Or there is an elegant Georgian-inspired bird bath for the garden - £85, English Garden.

Keeping his correspondence in good order (he is struggling to become *au fait* with the world of faxes) is a priority, so give him an elegant letter opener with a moulded panther head (£29.95) from Joanna Wood, 48a Pimlico Road, London SW1 (tel: 0171-730 5064). Or for £38.95 you could go for the tassled silver barley twist quill desk set - £38.95, Joanna Wood.

Over the years he has become rather attached to his food and though his tastes mostly run to modish interpretations of nursery nook he does love pasta. So

give him a sweet little Parmesan cheese mill - just the right size to take a hunk of that special cheese. It is ingeniously designed so that the base inverts to form a cover and keep the grated cheese in an airtight container. £16.95 from America Direct, 85 Woodside Avenue London N10 3HP.

The MicroMap system means he can keep this tiny gadget handy in the dashboard of the car. The viewer itself is pocket-sized and unfolds to reveal a lens which scans credit-card sized maps. The viewer costs £19.99 and comes with 14 cards which cover the UK but further card packs are available, including those of 20 UK cities, a comprehensive guide to London city centre and 10 European and 10 US cities. MicroMap can be bought by mail order by calling 0800-421252 and is also in Harrods, Selfridges, Leading Edge Shops and The General Trading Company.

Most houses not inhabited by giants need a pair of library steps - if his taste runs to the modern get him Tiramisu designed by Andries van Onck (a folding step ladder made from painted steel and thermoplastic steps with a non-slip finish) £139.50 from Aram Designs, 3 Kean Street, London WC2. If his tastes and house run to the traditional, then the General Trading Company (144 Sloane Street, London SW1 tel: 0171-730 0411) has a wonderful ladder pole which looks just like a slim pole until you click a little latch and it turns into a ladder 200cm high. At £990, it is made of mahogany and covered in brass-riveted leather and looks fine



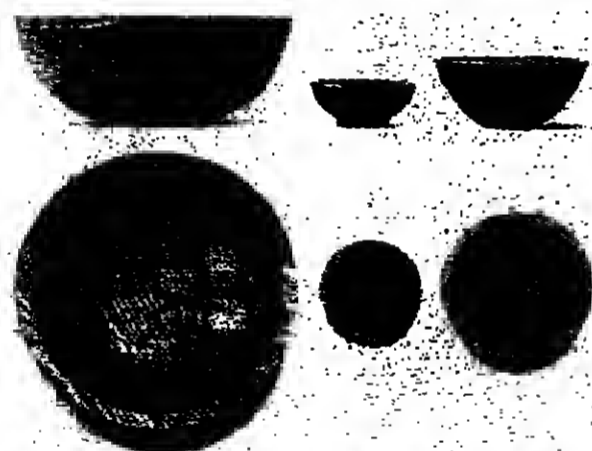
Clockwise from top left:
■ Revelation's Notebook Computer Brief holds a laptop as well as files and papers: £349 in 'ballistic', or £479 in leather. From Revelation, 170 Piccadilly, London W1V 9DD; Harvey Nichols, London SW1; Simpson, Piccadilly, London W1A and 1 Tunsgate Square.

■ Double bottle carrier in willow with a tough canvas strap: £35 from all Mulberry shops.
■ Traditional softgrain Wexford leather bag in conker for the weekend traveller: £595, by Mulberry.
■ Dark green or chocolate brown

cotton velvet smoking jacket with frog-fastening front: £495 by Alfred Dunhill, 30 Duke Street, St James's, London SW1 (customer services tel: 0171-290 8600).
■ The Roberts Radio, a 1950s revival, brings tears of nostalgia to the eyes of anybody over 50. A sturdy, functional radio made by

the British company Roberts Radio it runs on batteries or the mains: £130 for the larger model, £100 for the smaller, they come in original claret, classic blue or Kensington Green, from Harrods, Knightsbridge, London SW1.

Illustration: Bryan Poole



Beautiful bowls by Irish wood-turner Liam O'Neill: £15-£100 from David Mellor, 4 Sloane Square, London SW3 (0171-730 4258)

Readers fill in the gaps

Amy de la Haye is thrilled. She is the curator of the Victoria & Albert Museum's spring 1997 fashion exhibition, The Cutting Edge - Fifty Years of British Fashion, and has been inundated with responses from FT readers following our call to you to clean out attics and wardrobes.

She had almost given up hope of finding a Horrocks floral dress from the 1950s, but, thanks to FT readers, she now has offers of seven, all of which have been cherished for four decades.

As a result, the museum is to stage a pre-exhibition "taster" in February, in the main dress gallery, to include them all under the title Quintessentially British: Horrocks floral summer dresses of the 1950s.

For The Cutting Edge exhibition itself, (which runs from March 6 to July 27) de la Haye is happy to be able to include a Frederick Starke suit from 1952, donated by an FT reader from Yorkshire.

This grey wool suit, with a pencil skirt, a short boxy jacket, complete with a gar-

net cummerbund and a creamy white cotton blouse, was worn as the reader's "going away" suit after her wedding.

Her sister later bought the Matita floral print suit that Vogue declared "news" in April 1954 and that was the V&A's original quarry. Alas, the sister's Matita suit has not survived, but happily, the Starke suit of two years earlier, with its similarly "furled umbrella silhouette" fits the bill perfectly.

So do a pair of Terry de Havilland high-heeled cowboy boots with stiletto heels

from the 1970s that a reader has unearthed.

Several readers have offered interesting clutch bags, including one shaped like a rolled magazine and called Primo, and labelled inside Caponi of London from 1968.

Another handbag, in tortoiseshell-effect Bakelite from the 1950s, has been accepted into the museum's main collection, as has a marvellous hat by Chalmers, worn by a reader to Ascot in 1949.

Many other readers have responded with offers of clothes they wish to donate to the V&A, all of which de la Haye is investigating (although she does stress that, with The Cutting Edge exhibition imminent, she is now searching for very specific designer pieces).

A few have eluded her so far. Where is the reader with that prized white debutante dress, dating from between 1947 and 1968, and by a famous British fashion house?

Where is the gentleman with a Henley ensemble of striped flannel, cream flannel or linen trousers, a boater, canvas shoes and club tie?

And where are our once wildly unconventional readers? Still missing is a hippy deluxe British kaftan worn by a man in the 1970s and a radical bridal outfit, which must date from the 1980s and must be by a British designer such as Clive, Michael or John Bates.

Time is running out, but if you can fill any of the V&A's few remaining gaps, Amy de la Haye will be most pleased to hear from you.

Again, write or fax directly to her (not to the Financial Times, please) with full description and/or photograph, to: Amy de la Haye, The Cutting Edge, Textiles & Dress Department, The Victoria & Albert Museum, London SW7 2RL, fax: 0171-838 8423

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TRAVEL

A ride on the wild side with Rex

Dinosaurs offer the latest thrill in Los Angeles, says Peter Aspden

It is seven o'clock in the morning and Los Angeles is celebrating Marilyn Monroe's 70th birthday. At least I think it is a celebration. NBC's morning news programme is, naturally, interviewing Marilyn via her favourite medium, a relaxed, unironic man by the name of Kenny Kingston. He says she told him she would have had plastic surgery by now had she still been alive; he told her she should have stayed married to Joe di Maggio to have made the most of her life. His remarks go down well; facial reconstruction and baseball are big around here. The newscasters smile uncertainly to each other. "Did he say he talked to her just last week?" asks one, just a little incredulous. "That is what he said," replies his colleague. "Do you believe him?" A shrug. It does not seem to matter. So it is no surprise when, the following day, I am accosted by Marilyn in the entrance to Universal Studios. It is best to go with the flow in this eccentric part of a quintessentially eccentric city. The Universal Studios Hollywood tour is a bedrock of the LA experience. Once inside, scepticism, reserve, disbelief are discouraged. You move from earthquake to hamburger store to flash flood to Wild West shoot-out. From *Psycho's* blood-spattered shower room to the dashing amazons of *Waterworld*. Right now the theme park is abuzz with talk of dinosaurs. We are in the final stages of preparation for the latest attraction, the \$100m *Jurassic Park: The Ride*, and the hype machine is roaring. To those used to the traditional bumpers and big dippers of the country fair, the *Jurassic* ride comes as a shock. This is no overnight sensation. Aerospace engineers, robotics engineers and palaeontologists collaborated with studio designers for five years on the project. The movie's director, Steven Spielberg, also acted as a consultant, although he had yet to try the ride before

its opening because of an enduring aversion to "big drops". *Jurassic Park: The Ride* is fashionably self-referential - we are in a theme park based on a film about a theme park; cleverly parodic - the ride goes "wrong", as it does in the film; and, for a couple of seconds at least, utterly terrifying. Not that you would guess from the beginning. It all starts very calmly, like any family day out in a dinosaur park, as we observe the peaceful, herbivorous creatures grazing gracefully among the six acres of tropical waterways from the comfort of our raft. But soon things begin to go awry. The raft is knocked off course into the dangerous "Carnivore Canyon", where we see gaping holes in the velociraptor pen. The raft veers out of control, up into the park's water pump station. The missing raptors appear and begin their pursuit. The climax of the ride is kept semi-secret; suffice to say that it involves an ever-familiar tyrannosaurus rex, pitch darkness and a near-vertical plunge of 84ft, the longest in the world. A photographer is on hand to catch the expression on your face as you level out. Cute touch. If the amount of money spent on producing movies in Hollywood seems obscene, then what justification can there be for blowing \$100m on a five-minute ride? That its five-storey-tall ultrasaurus features the most sophisticated, computerised "animatronics" technology yet employed in the entertainment industry? That the lush park features more than 7,000 shrubs, plants and flowers of 76 species? The ride is indeed impressive; but is this not a little over the top, even for Hollywood? It is all a matter of numbers. Up to 35,000 people a day visit Universal Studios Hollywood, paying \$34 each for the privilege. They seek, and receive, the latest thrills around. And they are easily bored. Rides and shows have to be constantly invented and updated



if those numbers are to be maintained. Ron Benson, chairman and CEO of Universal Studios Recreation Group, says: "We believe people have very high expectations when they come to theme parks. We have made a huge investment in the last three years to keep ahead of our competitors."

He is referring to the two most impressive attractions in Universal apart from the new *Jurassic* jaunt: the *Waterworld* sea battle and the bone-rattling *Back to the Future* ride, which uses virtual reality and hydraulics to extraordinary effect. In truth, they make some of the traditional Universal favourites - the *Jaws* attack, the *Psycho* house - look a little tame by comparison.

By virtue of the massive investment in the new rides, Universal Studios Hollywood is ensuring it does not suffer the same fate as those dinosaurs. Here are hints of the theme park of the future, with thrills so life-like, so visceral, that it is difficult to see how younger generations could ever enjoy the innocence of an episode of *The Flintstones* again. Here, too, is a glimpse of the city of the future: next to the theme park is Universal City Walk, a kitsch, neon-lit mall masquerading as a city centre featuring shops, restaurants and multi-merchandising opportunities. It is easy to see the attraction of the entire complex for a family with small children, given the less-than-wholesome nightlife of downtown LA. Everything here is clean, patrolled, sanitised. You cannot walk 20 yards without

being offered the chance to buy a T-shirt or a mug, emblazoned with a recent celluloid offering. I re-watched *Jurassic Park* on video the day I came back from Hollywood. I could not help warming to the character who is in the biggest hurry to make easy money from the opening of the theme park. He seemed to epitomise the thrusting entrepreneurial spirit of Universal Studios Hollywood. Ominously, he was the first man in the film to be eaten alive. But don't look too hard for a message. Real life - even in Hollywood - is just not like that. Peter Aspden travelled to Hollywood with United Vacations (0181-313 0999). Holidays to Los Angeles and the rest of California start at \$299 per person for three nights, including flights and accommodation.

Disneyland enlists the Hunchback

Paul Betts holds his breath as Quasimodo drops in on Paris

Something was clearly going wrong. For a terrible moment Disney's celebrations to mark the grand entrance of Quasimodo at its French theme park seemed to be heading for disaster. Three thousand journalists and their families had been brought to Disneyland Paris from all over Europe for the French premiere of *The Hunchback of Notre Dame*, Disney's latest animated feature film. After the screening, masked dancers and actors paraded in a noisy carnival of fools around Gargoyles Square in front of Sleeping Beauty's castle. Amid an explosion of fireworks, Quasimodo appeared at the top of the castle. Clamped to a wire, he tumbled off the battlements to slide down 200 yards to join the party below. The mood suddenly turned serious. The acrobat impersonating the Hunchback had hardly gone a few yards when he got stuck. He struggled in the freezing November night desperately trying to hook his legs around the wire and ease himself down. It seemed to take an eternity. A few times he looked as if he was going to give up and just dangle like a stuffed toy in his absurd outfit high above everybody's heads. The other characters continued prancing around to the rhythm of "Topsy Turvy", one of the film's tunes. The Tannoy kept telling spectators to move on and take their seats for their gala Christmas dinner. No one budged. Finally an exhausted Quasimodo made it down. There was applause. Disney officials rushed around, an anxious Father Christmas carried what looked like a first aid kit. It had been a near thing. Not just for the wretched Quasimodo but for the launch of Disney's new commercial brand at its European theme park. *The Hunchback of Notre Dame* is the latest example of the branding techniques that entertainment conglomerates, of which Disney is the biggest, are developing to help their business grow. It could be described as circular marketing. The idea is to tie together under a common theme television, film, merchandising and amusement park operations to establish a strong brand. The film helps promote a new theme park attraction which helps pro-

mote the sale of an array of goods from T-shirts to toothbrushes which in turn helps promote the film. It was no accident that Disney chose Victor Hugo's novel. The American group has been striving to Frenchify its Paris park with rides and parades based on French cultural themes to quell criticisms of American cultural imperialism. When Disneyland Paris opened five years ago in the bleak, flat countryside of Marne-la-Vallée, a beetroot-growing region 20 miles outside the capital, it immediately found itself in a typically French cultural war. Coupled with management errors, the venture risked turning into a commercial flop. The idea that you could simply transmute the successful US formula on to French soil and wait for the cash registers to start ringing was wishful thinking. The park and its resort hotels were overpriced; there were not sufficient attractions; food was not up to French standards. As debts grew, the company started taking radical action. It introduced new rides, including last year the \$100m Space Mountain based on Jules Verne's *From the Earth to the Moon*. The ride shoots visitors to the moon dodging meteorites and gives them the sensation of weightlessness. It lowered admission prices and broke Disney tradition by serving wine in the Magic Kingdom. The strategy seems to be working. Although Quasimodo, the balance sheet is still on a tightrope, the park is turning into a success. Disney claims it has become the most popular tourist attraction in France, drawing twice as many visitors as the Eiffel Tower. Nearly 12m people a year now visit the park and, significantly, the single largest group is French. Not that the place has suddenly been transformed into a Gallic pleasure garden. For all its Frenchification, it remains a monument to American pulp culture; and if any nation is more receptive to this culture, it is France - whatever the Académie Française may say. Bookings can be made through Disneyland Paris Direct on 0990-030303.

Time to give Niagara Falls a miss

John Fitzgerald roughs it in Canadian splendour at the largest log mansion in the world

Living in Toronto, I have long acquiesced as friends from overseas, especially first-time visitors, insisted I accompany them to nearby Niagara Falls. I've nothing against the honeymoon capital, mind you, despite its tourist traps and overcrowded restaurants. But I was determined not to put myself through the ordeal again when some German friends suggested a visit. Instead, intent on giving them a glimpse of Canada's range and ruggedness, or at least some of its countryside, I suggested we spend a day or two at Le Chateau Montebello, a hotel near Ottawa that boasts of being the largest log structure in the world. A year-round resort, it was used as the site of the

1981 Gramp of Seven summit and is owned and operated by the Canadian Pacific hotel chain. It is located just outside the quaint village of Montebello, Quebec, about half way between Montreal and the nation's capital, and less than an hour's drive from either city. I was unable to produce a moose, a beaver, or a live Moomie to impress my German friends. And with their brief stay prohibiting the more indigenous activities (sports-fishing, portages through the wilderness, campfire cook-outs), I decided a stay at a country hotel, albeit a fairly luxuri-

ous one, was probably the next best thing. Rustic, the chateau certainly is. Surrounded by 65,000 acres of forest and streams, it overlooks the Ottawa River, used for more than 200 years to carry furs from the western interior to markets in Quebec City and Montreal. Before the arrival of the Europeans, the river was controlled by the Algonquin Indians. The Chateau Montebello's massive bulk consists of about 10,000 giant cedar logs that were set by hand when it was built in 1930. It includes 210 rooms and deluxe suites in four wings

that jut outward from a central building, like spokes in a wheel. There is an indoor and outdoor swimming pool, horse back riding through the woods, an 18-hole golf course, tennis, river cruises, and several restaurants. Although a swimmer and winter sports enthusiast, the best things to experience the area's beauty - the hotel offers cross-country skiing, snowmobiling, curling, dog-sledding, sleigh rides and other activities - summer takes nothing away from its charms. We arrived about noon. The buildings loomed up at us like some sturdy frontier

fort, as we came to the end of a driveway that runs in from the main road. It was bordered on either side by tall maple trees. Conceived by Hubert Sadiemire, a Swiss-American who dreamed of recreating an Alpine chalet in Quebec, the property was known as the Seigneurie Club - a swish and relentlessly private enclave - until it was bought by Canadian Pacific in 1970. Its membership rolls included magnates, Canadian politicians, such as former prime minister Lester Pearson, and prominent foreigners, including the Netherlands'

Queen Juliana and the Grimaldis of Monaco. The land on which the resort sits was once part of a 17th century seigniorial, or feudal estate, belonging first to the West Indies Company, and then to the first Bishop of Quebec. In 1801, the estate was bought by the Papineau family, whose most famous member, Louis-Joseph, locked horns with the British during the rebellions in Upper and Lower Canada in 1837-1838, and is considered the father of Quebec nationalism. Papineau's beautiful manor house, with its wide porch and Victorian furnis-

ings, is now a museum and is about a two-minute stroll from the hotel's main building. The chateau's entrance hall was impressive, projecting a feeling of space, simplicity and comfort. In the middle of a three-storey atrium (again, all logs), a soaring six-sided stone fireplace was surrounded by armchairs and sofas, and there was a galaxy of framed photographs, most of which showed happy groups holding up a huge fish. Our rooms had views of the river and were decorated in a style the Germans con-

sidered *gemütlich*: log walls, and cosy, country-elegant furnishings. That evening we dined on salmon baked on a cedar board with onion compôte. Later, back in my room, I dispensed with the air conditioning, and opened the windows to hear the eerily romantic night sounds of the forest, and the slow, steady rumble of the river. No question. I could get used to this sort of "roughing it". And I didn't hear another peep out of my German friends about Niagara Falls. For reservations or information contact: Supranational toll-free at 800-303280 or Le Chateau Montebello, Canadian Pacific Hotels, 382 rue Notre Dame, Montebello, Quebec Canada (tel: 819-423 6341, Fax 819-423 5283).

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TRAVEL

Rescued from the junk food abyss

Nicholas Woodsworth finds cardiovascular salvation on Denman Island, home of the healthy and delicious soy-bean tofu mock turkey

Like Lewis and Clark, the first explorers to cross the American continent from east to west, I arrived on the shores of the Pacific with a great sense of relief. Their journey had been a gruelling one. So, too, had mine. Short of provisions, they had suffered so cruelly from gnawing hunger that they had eventually eaten their dogs. But I, also, had eaten dogs - hot dogs, chili dogs, and the infamous pogo, a hot dog skewered on a stick and deep-fried in batter. Behind me, in fact, lay a long trail of ill-considered encounters with every fast-food item in America - with Whoppers and Sno-cones, Quarter-pounders and Double Cheese-burgers, Big Burritos and large orders of Golden Fries. Now I, too, was suffering cruelly.

Why had I done it? Because for me, as for millions of Americans, hamburgers and the like are quick, convenient, inexpensive, and can be consumed with one hand while tearing down the inter-state highway at 75 miles an hour. They also satisfy what seems to be a deep-seated human craving for fat. Had I cared if my Jumbo Barbeque-smoked Ranchburger was poly-unsaturated or not? Of course I had not. I could feel grease caking up on my ventricles, stodge lodging in the u-joints of my plumbing. I was a walking cardiovascular nightmare. I had gone. I knew with a sense of impending doom, one burger too far.

Was it too late for me? I hoped not. My destination was an 11-acre patch of sanity on Denman Island in the Strait of Georgia, the chilly body of water separating Vancouver Island from the British Columbia mainland. Almost a decade ago old Vancouver friends of mine, Rod McNabb and Vlasta Ulovec, had fled the city and busy, hard-working lives for what they imagined to be a rural idyll.

Today their orchard on Denman Island, producing 40 varieties of organically grown apples - 45,000lb in all each year - has them just as busy and hard-working as before. But it remains the healthiest place I know. If anyone could put me right, they could.

Some mainlanders might view Denman Island as cloud-cuckoo land. And indeed, I must admit that, blended with the fragrant wood smoke emanating from some of its farmhouses and rustic log homesteads is a fine mist of west-coast looniness - I Ching, Yin-yang, and new-age visions of the imminent collapse of capitalist civilisation are the least of it. On the other hand, having just finished a 6,000-mile dash across a continent relentlessly bent on an equally loony cholesterol-rich feeding frenzy, I am not sure that such visions are not warranted.

At any rate, while Denman Islanders are not short of all manner of esoterica, there is one subject on which their ideas are clear and hard-edged. Junk food is out; healthy eating is in. No sooner had I arrived than Rod and Vlasta dragged me over to their neighbours, the Grogans, for a Thanksgiving dinner that positively bunned with health.

There on a grooming table was a soy-bean tofu mock-turkey. Constructed of slices of tofu marinated in soy sauce, herbs and onions, layered with bread stuffing, and surfaced with Chinese yuba - sheets of bean curd skin that go crispy and glazed when baked - it looked for all the world like a plump, oven-brown gobbler.

Accompanying it was a rich brown gravy made from

nutritional yeast flakes and soy sauce; a tri-colour mashed-potato terrine of gold, white and blue potatoes; acorn squash stuffed with wild rice, pecans and chanterelle mushrooms; kale salad; home-baked bread; vegan pumpkin pie and chocolate-courgette cake with an amaretto-tofu whipped topping.

Tofu? Nutritional yeast? And who, for heaven's sake, has heard anything good, or anything at all for that matter, about yuba? It was enough to make a Whopper-tarian cook book (available in Britain through Airlift Publishing) is called *Twenty minutes to Denver*.

If eating healthy food is easy, producing it requires something more of a commitment. The 700 trees on the McNabb-Ulovec acres see not a trace of the tons of chemical pesticides, herbicides, fungicides and fertilisers that help produce fruit, vegetables or grains on a conventional farm.

Intensely mobile patrols of more than 100 free-range chickens wander the orchard, picking off many of the insects that attack the trees. The codling moth, the insect responsible for the proverbial worm in the apple, is defeated with a more cunning technology - confused by twist-ties impregnated with the sex pheromone of the female codling, male codlings are unable to locate a mate and quit the orchard in disgust. Sulphur holds back apple-scab. Mowing holds down grass and weeds. Natural fertilisers of fish meal, kelp powder and composted manure are dug into the soil to keep it fertile and rich.

It all means back-breaking, time-consuming labour. Is it worth it? In more relaxed moments in the evening, over glasses of strong cider, Rod and Vlasta will admit it is. Vlasta, who fled communist Prague in 1968, has an ingrained distaste for the kind of economic power and authority that now dominates the food production industry. Rod believes that conventional agri-business practices are depleting the earth of its productive capacity, are unsustainable and must change if we are to survive.

And is it worth it to us, the consumers of food? The lures of fast food notwithstanding, it apparently is. On a frosty Saturday morning we stripped my van's interior, loaded it with boxes of apples and headed off on the ferry to Vancouver Island's Comox Valley Farmer's Market.

There I saw that the proof of the pudding is in the eating. Fresh and crisp, tasting



LIFE in the FAST FOOD LANE

Who has heard anything good, or anything at all for that matter, about yuba?

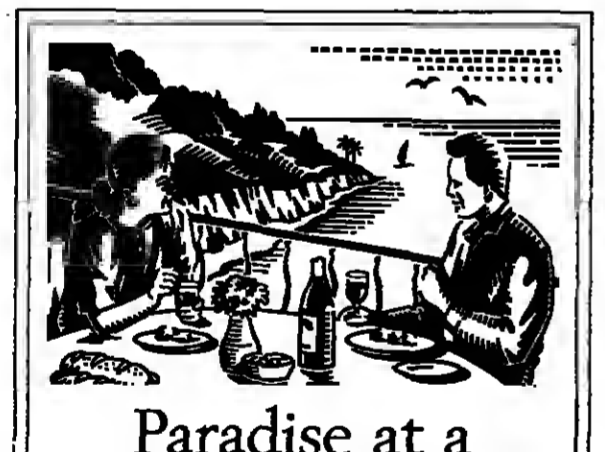
nothing like the tired old Granny Smith that sits in the supermarket, our apples disappeared as fast as we set them out.

These were not starry-eyed new-agers lining up to buy Bramleys and Kiddes'. Dahnets and Spartans, Cox's Orange Pippins and a dozen other apple varieties. These were people who think the food we eat has something to do with the health we do, or do not, enjoy.

It seems logical. There may be a hamburger, even a french fry or two, waiting for me down the road. But when I left Denman Island I made sure there was also a good supply of apples left for me in the back of the van.

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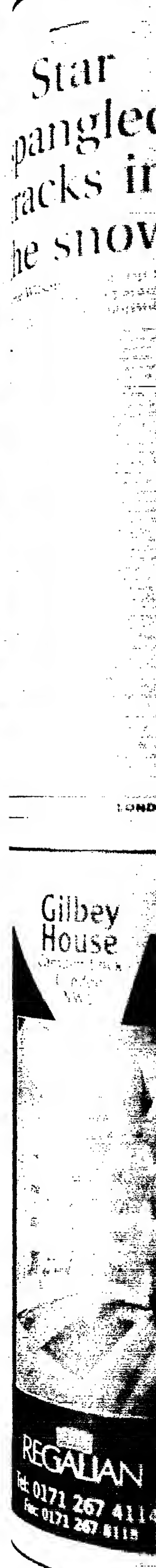
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OUTDOORS

Skiing Star spangled tracks in the snow

Arnie Wilson takes a trip to Sestriere to look at preparations for the World Championships

The Milky Way, or *Via Lattea*, ski area has welcomed a good few celebrities to its slopes: Hannibal was the first one to pass through the snows of the Alta Val di Susa in 218BC - on an elephant of course, rather than skis.

The Monginevro road continued to be an Alpine battleground until the dark ages and the turmoil has left the region feeling ambivalent about its true roots and loyalties.

Almost 2,000 years after Hannibal, the valley was still being described as "wild and impenetrable, a land of perpetual snows, tumultuous torrents, rocky pastures and an icy climate". In spite of this, it became one of the most important links between Italy and the rest of Europe.

By the time Douglas Fairbanks and Mary Pickford posed for photographs there, Giovanni Agnelli had built what was arguably the first purpose-built ski resort at Sestriere, for the recreation of workers at his Fiat factory in Turin, but also to encourage car-use in the immediate pre-war years.

Contrary to myth, Mussolini, another famous name linked with the resort, never skied there, but demanded the Italianisation of its French name from Sestriere to Sestriere - a small concession which lives on: both



The Alps' first purpose-built ski resort: Agnelli built it for workers at his Fiat factory in Turin

versions are still used today. There have been great ski champions aplenty - from Hans Nödl and Zeno Colò to Duillard, Schranz and Killy. Alberto Tomba, Bologna's favourite skiing son, practically owns the slopes. Indeed, the Tomba phenomenon started there when, in November 1987, the "bomba" started his stunning sequence of slalom victories which were to eclipse the likes of Stenmark, Zurbriegen and Girardelli.

Tomba has won the special slalom at Sestriere five times, and has never been placed lower than second in any race he has finished there - even under floodlights, introduced recently with a flourish when he won the first World Cup event to be staged at night.

Now the resort is due to host the World Alpine Championships in February, with Annifant (a name derived from the words Hannibal, elephant and fantasy) as the official mascot. There has been much modernisation, costing L50bn (£20m). Another L50bn will be spent on the event.

The championships will coincide with the 100th anniversary of the "birth of skiing" in Italy when Adolph Kind and friends first appeared in the valleys near Turin equipped with wooden slats on which they slithered through the snow. Thirty years later, Fiat tractors were clearing the snow in the Valsusa in readiness for the construction of the ski resort.

Sestriere (6,875ft) is the hub of the Milky Way, a gentle circuit through Piedmont larch forests with some exquisite scenery from Sausa d'Oulx across the French border to Montgenèvre, taking in the resorts of Sancairo, Clavière and Cesana. More difficult skiing can be found by coming off the main route and exploring

Gardening/Robin Lane Fox If it moves, squash it or shoot it

Three years ago, I stood with the lady undergardener of a famous Italian garden and listened to her vision of the future. The garden, she said, would become a Conservation Sanctuary with particular attention to wildlife. Those who know the Italian track record with small birds will appreciate the irony. Three years later, the garden is recovering and the undergardener has found other employment.

Meanwhile, the disease seems to be spreading. Books pour out by the dozen, implying that wildlife is one of the garden's assets. The new team on Gardeners' Question Time, the radio programme, could not even say boo to a squirrel. I have read, heard and winced while respected garden enthusiasts have misrepresented the art of gardening by proclaiming that it has something to do with animal conservation and a form of cuddly, furry asylum.

Whenever I mention a hedgehog, town dwellers start to envy the long, dark weeks of a Cotswold winter. Mention a pheasant and they think nostalgically of the call of the cock bird as he prepares to roost on a December evening. Earthworms have begun to be considered a national asset. Foxes have been re-scheduled as friendly fruit-eaters.

As for the ladybird, it has started to make captains of industry feel jumpy, now that researchers have shown that the male ladybird can make love nine times a day and sustain a climax for an hour and a half. How lucky you are to be in touch with nature, outsiders tell me.

My own advice to any serious gardener is to be sure that they are properly armed. No gardener in their right mind wants wildlife anywhere near a botanical haven. The truth is that if it moves, squash it or shoot it and never believe that animal intruders are anything

other than a pest. Armoured attack is most unlikely to upset the balance of nature. However many hares you kill in the shrubbery, you will make a minimal dent in the hare population of open country.

You may think that you love badgers and would regard yourself as privileged if one came to nose around in your orchard. After it had nosed around, invited its friends, dug up half the lawn and behaved in a truly badger-like fashion, you would willingly shoot it if you cared at all for your garden's appearance. It would be an insignificant drop in the ocean of the fast-breeding badger population which has



been growing since the early 1990s.

Gardening and animal conservancy have nothing to do with each other. At most, people like to suggest alternative remedies for giving unwanted visitors a mild surprise. I, too, have believed the myths, that bundles of human hair will deter deer and that slugs will self-destruct on a grand scale in grapefruit filled with beer. They are remedies as feeble as the advice to put creosote on tree-trunks in order to deter rabbits.

I am not exempting cats and dogs. Their only grace is that they are usually known individuals who frequent a particular territory while straying from a known source. I have known people who swear by accurate use of the catapult and a tickle up with pellet shot long-

range from an air pistol. Powerful squirting with a hose makes an impression on some cats.

More so than the recipe for cat-protection, Silent Roar, which many thought to be a hoax when I reported it as the latest device of the Sloane-Walleys at Chelsea. Powdered lion dung is, indeed, being sold under the packaged name of Silent Roar. Yet the wretched animal loquacity my garden showed not the slightest inhibition at the sight of the "droppings".

Hunting knives are probably out of the question but I have come to think that an air-gun is a basic tool in the garden. Of course, those earthworms are essential for the structure of the soil but they have never heard of the ancient Greek principle of Nothing in Excess. Naturally, nobody now sells mowrah meal with which post-colonial colonels used to decimate their worm population.

Before you put out milk for a litter of cubs, be sure to ask a professional huntsman about the potential destruction which foxes can work wherever there is a dustbin within scenting distance.

You do not need to risk a huntsman about the capacity of your dear friend, Squirrel Nutkin. All you need to do is to plant as many corns of species crocus as I have during the past 10 years and watch the little borror dig them up and eat them as a savoury. Bullets are the best answer but may I also recommend that you repay dear Nutkin in kind and try eating him once you have shot him.

The older I become, the more I believe that the hero of gardening was really Tom Lehrer: "People ask me how I do it, And I say there's nothing to it: I just sit there looking cute, And when something moves, I shoot."

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PROPERTY

All eyes in the New York residential market are looking downtown. Not just towards the loft land of Greenwich Village, SoHo and TriBeCa, but right down to Wall Street and the financial district on the tip of Manhattan, where the city's property pioneers are panning for gold.

Will they find it? Not if you listen to the real estate brokers who work the traditional hot-spots around Central Park. They point out that Wall Street turns the lights off at 7pm. Why should a banker choose such a sterile environment over the sophistication of the Upper East side?

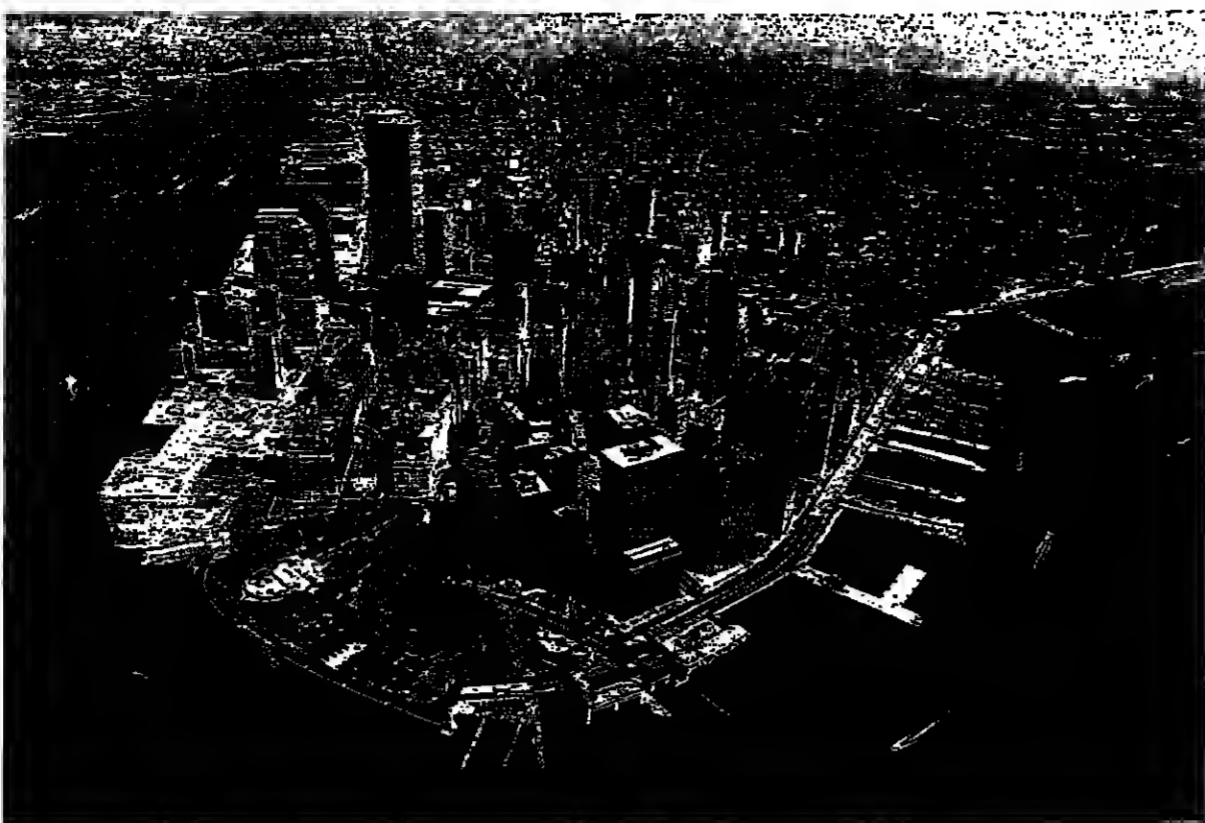
The answer from Mayor Rudolph Giuliani, who attended the ceremony to mark the start of the first Wall Street conversion at Number 45 in July, was that 25 other buildings look set to follow. With thousands of new residents adding to the 300,000 people working in the neighbourhood, the restaurants, shops and entertainments are bound to come.

The answer from Rockrose, the developers of 45 Wall Street, is that they will pitch their prices at least 20 per cent below the average uptown rates of \$350 a square foot and go for the rental market only. They hope to vacuum up some of the vast unsatisfied demand for rental properties in New York.

You wonder if the same arguments were traded 20 years ago about the prospects for Greenwich Village. It is here and in neighbouring New York is seeing its highest price rises this year. The average sale price in Greenwich Village rose by between 23 per cent and 30 per cent in the first six months of 1996, according to figures published by Douglas Elliman, the largest residential brokerage firm in Manhattan.

The price per square foot for a Greenwich condominium is just under \$320, much the same as on the Upper West side.

It is young money driving the market downtown. Barbara Corcoran, of the Corcoran Group of brokers, says the average age of her buyers below 42nd Street is 34 compared with 48 above. A



Up and coming in Manhattan: Wall Street is just one of the districts in which buildings are being converted for residential use

Downtown on the up

Anne Spackman on New York's latest residential hot-spots

woman photographer in her 20s has just paid more than \$3.45m for a top floor loft in shell form.

With Greenwich so established the next generation is colonising the neighbouring areas of TriBeCa, SoHo and Chelsea. The social attractions are already there, with David Bouley's burgeoning restaurant business, the avant-garde Dia Centre for the Arts and the leisure complex at Chelsea Piers all focal points.

When brokers Ambrose MarElla launched the Spears Building, a warehouse conversion in Chelsea, in September, they accepted 10 offers on the opening day and have raised the prices three times since. Of all the downtown neighbourhoods, Chelsea is most people's bet for the best prospects of capital growth.

All this activity downtown has not detracted from a buoyant market in New York's traditional prime

uptown locations. Wall Street may be the touchstone address for residential conversions, but Wall Street money is driving prices on the Upper East side.

The greatest demand is for family apartments and townhouses for the couples who have turned their backs on commuting. Prices are rising primarily through shortage of supply, coupled with Wall Street bonuses.

Corcoran estimates prices for the large, traditional Upper East side prewar apartments have risen 30 per cent in the last four years. The most spectacular sale in the city this year was of an apartment on Fifth Avenue which went for nearly \$15m.

Sothby's International Realty reports more interest in townhouses than ever before, as buyers turn against the co-operative system which dominates the city.

In New York the market is

largely divided between condominiums and co-ops, with co-ops out-numbering condos four to one. In a condominium you buy your apartment and pay a common charge for the services. In New York that means at least a hefty dollar per square foot for the average buyer, though the services include a porter, concierge and maintenance team as standard.

A two-bedroom, two bathroom apartment in Trump Tower has just changed hands for \$1.27m. The monthly charges are \$2,800 and that does not include parking. Garage spaces are leased separately for anything from \$300 to \$600 a month - plus an 18 per cent city parking tax.

In a co-op you buy shares in the company which owns the building, rather than buying your particular

apartment. The monthly maintenance charge, as it is called, includes services and local taxes as well as the interest payments on the mortgage on the building.

The problem is, to buy in a co-op you must pass the stringent demands of the co-op board. They demand full financial disclosure - not to mention details of where you send your children to school and which clubs you belong to - and they can veto you without giving their reasons. If your assets are outside the US you do not stand a chance, which is why co-ops are full of New Yorkers and condos tend to be disproportionately international.

The move against such interference is akin to the preference for freehold rather than leasehold purchase in London. In this respect - and dozens more - the two cities' property markets are moving in tandem. Demand for prime property

is high - driven primarily by the financial sector.

Previously commercial neighbourhoods are going residential as young people prefer the city to the suburbs and loft prices are subsequently sky high. The rental business is experiencing an unprecedented boom. Both cities are buzzing with the feel-good factor, for which New Yorkers generally credit Mayor Giuliani.

The one big difference between the two cities is that New York has no equivalent of the south-east Asian investors who have effectively underwritten London's new build market. The New York brokers are keen to attract some Hong Kong money, but so far progress has been slow. Sothby's have just sold one apartment in the new Knickerbocker building on the Upper East side at an exhibition in Hong Kong. English developers would expect to do at least a third of their sales there.

Those from overseas who do buy go for buildings like Donald Trump's new international hotel and tower at Number One Central Park West, which he modestly markets as "the most important new address in the world". They buy partly because it is one of the most prestigious sites in Manhattan, with views across Central Park and the Manhattan skyline. But it is also because such condominiums, with hotel-style services, are some of the only places available to people who do not pass muster with the co-op boards.

Such buildings are considered to operate in a different market from the mainstream domestically driven New York. Indeed, so alien are they to the new inhabitants of downtown, that a sales banner has gone up on a loft conversion in Greenwich Village, which reads "Absolutely not the most important address in the world, but a nice building with nice spaces".

(Code for Manhattan 001-212) Douglas Elliman 891 7145; Ambrose MarElla 742 7739; Corcoran Group 355 3550; Rockrose 697 4422; Trump sales centre 247 7000. Prime specialists - Sothby's International Realty 606 7680; Brown Harris Stevens 508 7200; Striding Associates 570 2440.

On the Move / Anne Spackman

Recovery is nationwide

With only 3 per cent of UK estate agents surveyed in the latest monthly report from the Royal Institution of Chartered Surveyors reporting a fall in house prices - compared with more than 21 per cent in November last year - the housing recovery can truly be described as nationwide.

But in many parts of the country it is only a recovery. The 5 to 7 per cent price increases recorded by the building societies over the past 12 months seem to run out around Birmingham in the Midlands and Somerset in the west. Prices in most regions more than 100 miles from London are stable for all but exceptional properties.

A typical observation is from Peter Wright of Sanders, Wright and Freeman in Wolverhampton: "The improvement in the market continues, although there is only evidence of prices rising in certain sectors, most notably well-situated Victorian and inter-war houses."

Further north, agents are talking of price rises only as a future possibility. Even in the more buoyant areas like north Yorkshire and Cheshire, agents are worried that talk of increases is premature. In Boroughbridge and Enderfield agents say prices remain the same as last year. John Robinson of Whittaker and Biggs in Congleton, Cheshire, reports: "Serious interest has steadily increased, with properties exchanging on a more frequent basis. Prices, however, still need to be realistic to maintain this interest."

Almost all areas of the home counties are seeing prices rise, driven by the acute shortage of family

houses to buy. But even in prosperous cities like Winchester, properties lacking character are price sensitive.

Many agents say they expect rises in 1997, providing interest rates do not increase too sharply.

If you are in the house-buying queue, do not assume that it is the cash buyers who hold all the cards. In the present market, the non-cash buyer also has a unique selling point - a property to put on the market. While sellers might prefer the simplicity of dealing with cash buyers offering good prices and quick moving dates, agents might prefer to give non-cash buyers first crack at the houses in the hope that they, in turn, will sell their properties.

A record price of more than £1m has been paid for a single house in Cambridge by one of the university colleges. Clare Hall bought the Rothschild family's former house. The 1906 house, with 10 bedrooms and six bathrooms, which was on the market with Bidwells, was one of only a few private residences in the university-dominated west side of Cambridge. It will be used to house visiting senior academics.

Bedfordbury is a narrow Covent Garden lane, known to few outside the London theatre set, which boasts a row of listed 17th century houses. Owned for 300 years by the Symson Estate, number 23 passed to a man who had originally been a tenant in its top floor rooms. After 40 years there, he is selling the freehold house, with nine rooms over two floors, through Winkworth's West End office (0171-848 3322). The price tag is £275,000.

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Peter Aspden on micro-nutrients, the new performance enhancers

The refuelling habits, as they have come to be known, of top sporting figures vary dramatically according to the culture and traditions of individual sports. Team sports, with their emphasis on off-the-field bonding and group dynamics, are unembarrassed about the occasional drinking session held to "boost morale".

It would be a strange rugby club that celebrated a victory with fruit juice and mineral water, while footballers - particularly in Britain - have little time for pedantic calorie-counting when weighing the attractions of a lunchtime burger-and-chips.

Even in tennis, with its high demands on endurance and concentration, it was considered bizarre when Martina Navratilova first started to take her own personal diet into her own hands; less so when she set new standards in the

women's game through her outstanding fitness and sharpness round the court.

In sports in which performance can be measured, however, such as athletics and swimming, it is fast becoming a different story. Anything (legal) which can shave hundredths of seconds off a best performance is thought worth trying, and unprecedented attention is now being paid to nutrition.

Gona are the legendary days of one Alf Tupper, the British comic book creation who needed nothing more than fish and chips before breaking countless middle-distance world records.

Many of today's athletes

not only avoid alcohol and foods which are "bad" for you, but can also talk knowledgeably of Omega-3 fatty acids, antioxidant complexes and Q10 coenzymes. Growing attention is being paid to micro-nutrients, as these are known, and supplements which can guarantee their controlled intake during demanding training regimes.

Patrick Magyar, the athletics director of the world's leading track and field event, the Weltklasse Zurich, was in London last week to help promote the launch of a new sports nutritional supplement, Victell Elite; but his words strike a chord with anyone inter-

ested in physical exercise.

Magyar believes that, even in cases of athletes who watch their diet, the poor quality of western foods is having an effect on sporting performance. "Much of our food has degenerated, and does not provide us with the right amounts of protein, carbohydrates, unsaturated fatty acids, vitamins, minerals and trace elements any more."

He said academic studies showed that outstanding performance of African athletes in middle-distance running in recent years were down to diet, altitude and training regimes rather than any inherent genetic factors.

"Instead of discussing why the Africans become better, we should deal with the question of why we don't."

To take one example, Magyar said wild animals provided 60 calories of protein and 36 calories of fat per 100 grams of carcass, while domestic animals provided 40 calories of protein and 225 calories of fat.

Victell has employed the British tripe jump world champion Jonathan Edwards to promote their product, deliberately choosing an athlete whose image was already the epitome of clean living. He is one of a growing number who believe supplements have become a

necessity rather than a luxury. "I thought if I had a good balanced diet, I would be OK, but tests showed that my diet was not as good as I thought," he said.

Edwards also acknowledged the psychological advantage of feeling you have done everything you can to fuel your body correctly; even he, one of the most even-tempered sportsmen around, talked of the "huge amount of self-doubt" he suffered in the year following his world championship gold medal.

"There were times when the athletics track was the last place I wanted to be," he said.



Jonathan Edwards goes the distance: clean living and supplements

Motor Racing

Formula One fledgling

Stewart Grand Prix has all the right credentials, finds Keith Wheatley

Paul Stewart was only seven years old when he asked his father the Big One. "Dad, when are you going to die?" Since his father Jackie was three-times motor racing world champion in an era when drivers died with all the predictable regularity of the Grand Prix calendar, it seemed a perfectly reasonable question to the young boy.

"I was at an international school in Switzerland with a lot of other drivers' kids. Jo Bonnier had just been killed at Le Mans and his son told me my Dad was going to be next," recalls Stewart, as he explains his father's opposition to his son following him into motor racing. "He felt he'd beaten the odds and he didn't want anyone else in the family exposed to it again."

Stewart, who in appearance could easily pass for the younger brother of Labour leader Tony Blair, explains the background to the first major new Formula One team of the past five years, Stewart Grand Prix. He does not possess the wild, furrowed look of his wily father. Instead, he is open and eager, and anxious

to show off his gleaming new company.

Despite paternal opposition he became a racing driver, in the junior leagues of Formula Ford 2000 and then Formula Three, the crucial jump-off point for a Grand Prix career. It was a leap Stewart junior declined to make, despite well-attested offers from key teams. Did he fail to make the cut as a driver? Stewart handles the familiar question gracefully and with honesty.

"I wasn't a waste of time in a car but I wasn't good enough to be world champion," he answers. "The one time I raced against contemporaries like Heinz-Harald Frentzen and Michael Schumacher I out-qualified them."

He was quick enough around the track but lacked the racer's instinct. Schumacher, Frentzen and David Coulthard had raced karts since boyhood.

Paul Stewart on the other hand had finished his politics degree at Dukes University in South Carolina before overcoming family opposition sufficiently to sit in his first racing car. "I was already getting equal pleasure from running the team

when I decided to stop driving. There was a real worry that if I went into Formula One it would be the case of that Jackie Stewart's son - the one that's no good!"

Stewart sr, organised and polished to a degree, seems not the kind of man to welcome such a prospect blighting the family escutcheon. Their roles in the new Stewart Grand Prix operation are clear-cut. Jackie is the globe-trotting fundraiser. His celebrity and style still open many corporate doors 20 years after he retired from the cockpit. His biggest coup to date are bringing on board the Hongkong and Shanghai Bank and Malaysian government sponsorships, links that are expected to bring in the bulk of the £20m needed for the first year's operation.

Paul Stewart's role is the hands-on managing director, flitting around the subfusc industrial units on the edge of Milton Keynes (the new town 60 miles north of London) that make up the headquarters of SGP.

They are low-key premises, sandwiched in a workshop terrace between Objective Metric Indices and Davron Finishing Industries. "It's not exactly glamorous

is it?" Paul Stewart says.

In January this year, when the debut of Stewart Grand Prix was announced in Detroit at the headquarters of its engine partners, Ford, the team had a manufacturing and design capacity of precisely zero.

"It was frightening how much there was to do," he recalls from the design centre, surrounded by a dozen massively powerful CAD-CAM workstations.

Stewart is the first grand prix team to leave drawing boards behind and move entirely to computers. "This whole area was a truck-bay until last Easter." With around three months until the 1997 season begins with the Melbourne Grand Prix, much of the focus is on deliveries. Thousands of components have been designed and ordered from specialist sub-contractors. Now they are beginning to arrive and assembly of the cars themselves begins. In one room sits a full-scale mock-up of the cockpit.

Drivers Jan Magnussen and Rubens Barrichello come here and sit for hours being measured minutely for items such as harnesses and control pedals. Nothing in Formula One is off-the-shelf.

"We negotiated quite hard for Damon Hill," admits Stewart. "My father and I made an offer and flew over to Dublin for a very pleasant meeting at his home. Financially it was a long-shot whether we could afford him but we felt we had to give it a go. Damon's lawyers sent us a counter-offer which I keep for amusement as a page-mark in my desk diary."

What Hill would have brought to the fledgling team was not so much the kudos of the driver's world championship but a hugely respected ability to feed back information to his race engineers and get a new car quickly on the pace.

Despite the Ford engines, the sponsors' dollars and the vast expertise of the near 100-staff, the Stewart operation will be on the steepest of learning curves. Winning a Grand Prix is ferociously difficult, as teams such as Jordan could testify. How will the new boys do?

"If we qualify between 10th and 15th on the grid we'll be doing a good job," says Stewart. "We've got to expect the Big Four [Williams, Ferrari, Benetton and McLaren] plus Jordan to beat us in the early days."



Paul Stewart: racing driver turned hands-on managing director

Motoring

The car of the century

Stuart Marshall shortlists his own five 'most deserving' finalists

With Europe's Car of the Year 1997 contest out of the way (as widely predicted, the Renault Megana Scenic won it easily) it is time to think about the Car of the Century. The countdown to a three-year campaign has already started.

About 700 cars are reckoned to be eligible. An honorary committee of six members of the international motoring writing glitterati - no, I am not among them - will have whittled the 700 down to 200 by the end of this month and their names will be announced at the Amsterdam Motor Show on February 3 next year.

The Car of the Century will eventually be chosen by what the organisers describe as a worldwide jury of 100 respected professional motoring journalists from Europe, North America, Asia and Australia.

Members of the general public will also have a chance to air their views. A selection of 100 candidate cars is to be displayed at various centres and will be accessible on the Internet.

Each visitor or Net user will be able to vote for three cars in four categories -

family saloons, sports cars, grand touring cars and prestige cars. The result will be taken into consideration when the professional jury draws up a shortlist of five cars to be revealed at the Frankfurt Show in October 1999. The Car of the Century will be announced at a worldwide television finale that December.

If you think it all sounds rather complicated, you would be right. I have no idea what the 700 eligible candidates are, nor will I know until February which 200 have been chosen to go forward. But I have been wondering which five cars made in the last 100 years most deserved to be finalists. Those I would toss into the arena are the Ford Model T, Citroën traction avant, VW Beetle, Willys Jeep and BMC Mini.

Ford made more than 16m Model T cars (otherwise Tin Lizzies) from 1908 to 1927. It was a watershed - the car that changed the US. A large part of the first generation of post first world war US citizens is said to have been conceived in Tin Lizzies. Before it came, cars were replacements for the carriages of the wealthy. After Model T's arrival, the moto-

risation of America got under way, though outside of the towns, metalled roads were few and far between.

Citroën's traction avant of 1934 was truly a technical masterpiece. It had a load-bearing, sheet steel bull when nearly all cars were based on a separate chassis and the ash framed coach-built body was still alive and creaking. It was, of course, front-wheel driven. With an extravagantly long wheelbase and wide track, it offered new dimensions of rida comfort, road holding and handling.

The Volkswagen out did even the Ford Model T, with more than 20m produced. Hitler said at the inception of the VW factory in 1938 that it was a car for the people, but the German public's advance payments helped fuel the Nazi war machine instead. After a shaky post-war start, the VW swept all before it. Millions are still in use worldwide.

The Willys Jeep helped win the war for the Allies and created a whole new class of vehicle. It was cheap, rugged and long suffering and went where no other four-wheeled vehicles had been before. Fifty years on, most of the current generation of light on-off road 4x4 vehicles are laid out mechanically in much the same way as the Jeep.

And last, the BMC Mini. It was not the first small car with front-wheel drive or a transversely mounted engine. But none had ever combined these two features with all-independent rubber suspension. The body, seemingly too small to accommodate four people, was a masterpiece of packaging. The Mini's once radical power train, except for the less than successful gearbox in the engine sump, has become the orthodox design for practically all cars of less than two-litre engine capacity.

In arriving at my shortlist of five I had to reject the Rolls-Royce Silver Ghost, which offered new standards of refinement for seriously rich Edwardians; the Citroën deux chevaux, which motorised the French country people; the Fiat 500 Topolino, the first tiny car to be designed like a big one; and the Toyota Corolla, perhaps the ultimate commodity car.

If readers have any other ideas, I would be glad to hear of them.



If the rainforests are being destroyed at the rate of thousands of trees a minute, how can planting just a handful of seedlings make a difference?

A WWF - World Wide Fund For Nature nursery addresses some of the problems facing people that can force them to chop down trees.

Where hunger or poverty is the underlying cause of deforestation, we can provide fruit trees.

Unless help is given, soil is exhausted very quickly by slash and burn farming methods.

The villagers of Muganga, Zaire, for example, eat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now sell the surplus fruit their nursery produces.

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source.

This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The *Markhamia lotoa* trees planted by WWF and local villagers can be harvested within five or six years of planting.

New tracts of tropical forest would then have to be cleared every two or three years.

Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced.

These tree nurseries are just part of the work we do with the people of the tropical forest.

WWF sponsors students from developing countries on an agroforestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing vegetable and grain crops.

This unnecessary destruction can be prevented by combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again.

In La Planada, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten hectares of forest.)

WWF fieldworkers are now involved in over 100 tropical forest projects in 45 countries around the world.

The idea behind all of this work is that the use of natural resources should be sustainable.

WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no net deforestation by the end of the century.

Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not consume the natural capital of the next. It could be with a donation, or, appropriately enough, a legacy.

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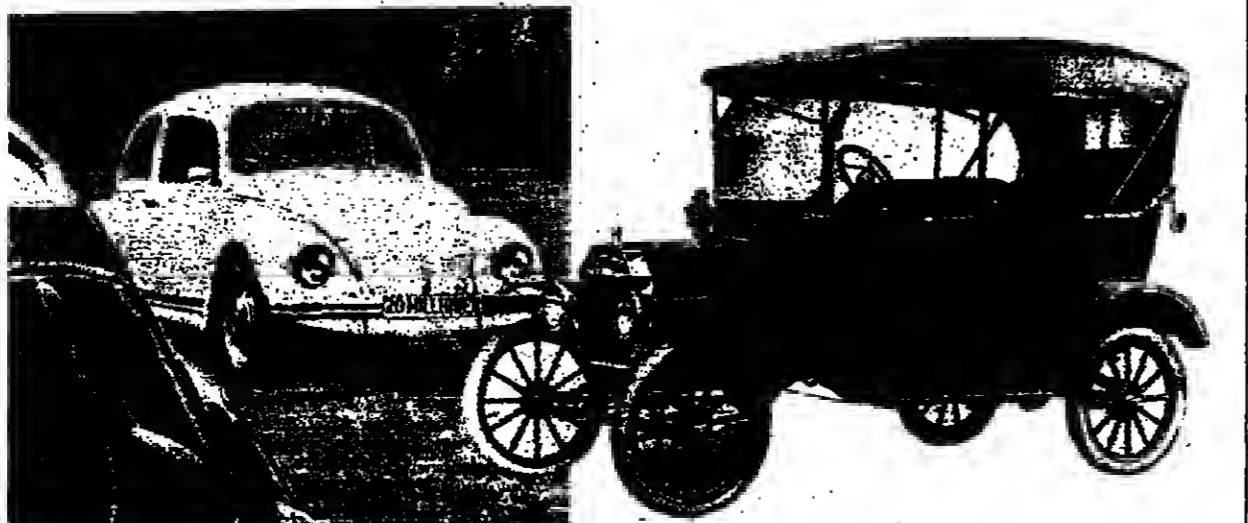
WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no net deforestation by the end of the century.



World Wide Fund For Nature (formerly World Wildlife Fund)

International Secretariat, 1196 Gland, Switzerland.

FOR THE SAKE OF THE CHILDREN WE GAVE THEM A NURSERY.



Two all-time greats - the VW Beetle, still the car for millions, and the Ford Model T, the car that changed the US

Advertisement for recovery products. Text includes: "Recovery is nationwide", "People wanted", "Wanted".

FOOD AND DRINK

Dry, sweet, fortified and fizzy festive whites

Jancis Robinson on the very best bottles on offer - many below £5 - from pure Oz with a twist of lime, to long-distance runners oozing with class

This selection, about one in 20 of the supermarket and high street wines tasted for this season, is offered in the hope that not all the relevant bottles have been held up by a traffic jam outside Calais.

DRY WHITES UNDER £5

Much as I hate the idea that supermarkets are leaning on peasant farmers and squeezing ridiculously low prices out of them, even I have to admit that there is still some terrific wine around under £3.50 a bottle - which is just as well since the average price paid per bottle in Britain is less than £3.50.

This selection ascends in price order as far as the £5 barrier and shows heartening evidence that producers are beginning to discover a much wider palette of flavours than in the recent past, often by the old-fashioned practice of blending.

Star performers are South Africa, Navarra in northern Spain, and Argentina. The Australians are back in the picture now that their grape shortage is over but the French seem not to be trying in this price bracket.

(Thresher group includes Wine Rack and Bottoms Up.) Safeway Mendoza White 1996 £2.99. That gummy fullness of Argentine whites, but with quite enough acidity to keep it fresh and clean. Relatively alcoholic.

Asda Argentine White 1996 £2.99. A lively blend of Chenin Blanc and Torrontes, both of which grapes the Argentinians have in profusion.

Safeway Cape White £2.99. Superior bargain South African blend of soft, appley Chenin and Colombard much improved by three months lees contact and UK bottled to keep prices down. Light but innocuous. Drink this instant!

Dunvar Pinot Gris 1995 £3.29 Oddbins. Off dry, full-bodied, very positive Hungarian.

Rylands Grove Chenin/Colombard 1996 £3.49 Tesco. Kym Milne's version of this South African blend: full, lively, confident.

Ridgewood Trebbiano 1995 S E Australia £3.59 Waitrose. Winning mixture of belf and wit achieved thanks to careful use of oak chips. (Without 'em Trebbiano tends to taste of nothing at all.)

Kings Canyon Sauvignon Blanc 1995 £3.99 Thresher group. Most unexpected: a bargain from California and made from Sauvignon grapes to boot. The explanation is flying winemaker and Sauvignon master Hugh Ryan and, just possibly, underpricing. Last vintage of this transatlantic co-operation now that the Californians have run out of grapes.

Fairview Chenin Blanc 1996 Pauri £3.99 Waitrose. Lots of peazz, life and a flavour which South Africans insist is guava.

Tesco South African Chardonnay/Colombard £3.99. Ukrainian Aussie winemaker John Worontshak was sent to Graham Beck's winery in Robertson to make this smooth-textured blend, which nicely underlines the pointlessness of sending him to Brazil.

San Andres Chardonnay 1996 Lontze £3.99 Waitrose only. Particularly competent unsoaked Chilean.

Bodega Lurton Pinot Gris 1996 Mendoza £3.99 Waitrose only. The last thing you would expect from Argentina, a very credible rip-off of Alsace. Full, meaty, off dry, great with "red wine food".

Sainsbury's Verdicchio del Castelli di Jesi Classico 1995 £3.99. Green tang, lively, much more fruit than one has come to expect from Italian whites at this price.

Soave Classico 1995 Sante-pietre, Lamberti £3.99 Majestic. Another successful, lemony Italian exception.

Cardeto Orvieto Classico 1995 £3.99 Waitrose. The third piece of evidence that Italian white winemakers have finally got the message.

Bright Bros Farnas Pires/Chardonnay 1996 £3.99 Safeway

way and elsewhere. Full, quite scented, very fruity, keenly priced blend making the most of one of Portugal's most planted white grapes.

Winter Hill Semillon/Chardonnay 1995 £3.99 Waitrose only. Not the basic blend but a superior tank, dominated by the rich lemon flavours of Semillon, an Australian-influenced Vins de Pays d'Oc.

Lindemans Cawarra Unoaked Chardonnay 24.49 Oddbins. Tres chic, this "unoaked" tag. Good, punchy stuff.

Ch La Jaubertie 1995 Bergerac £4.69 Majestic. Another Semillon-dominated wine from south-west France, from a property now revived by Australian-trained son of the original reviver Hugh Ryan. Smoke and intensity.

Agramont Viura/Chardonnay 1995 Navarra £4.75 Waitrose. Creamy and much more harmonious than previous vintages. Might even convince me that Viura can take oak.

Darius Blanco Marques de Grifon 1995 Fullers £4.99. Characterful, broad, almost varnished blend from Rueda of the local Verdejo grape with Viura and Sauvignon. Grifon is a benevolent force in Spanish wine.

Jacana Bush Vine Chenin Blanc 1996 £4.99 Fullers only. Extremely characterful; a million miles from the usual mouthwash and fine-tuned from Stellenbosch.

Santa Ines Barrel Fermented Chardonnay 1995 £4.99 Fullers. Very competent and good value. Simple but correct and appetising.

Castellero del Diablo Chardonnay 1995 £4.99 Oddbins. Full, rich, leesy, almost cheesy, but very concentrated for the money.

Valdivieso Chardonnay Reserva 1995 £4.99 Fullers, Bibendum of London NWL. Over-achieving Chilean bodega is advised by Argentina's Californian winemaking wizard Paul Hobbs with winemaking input from Philippe Debrus, a Frenchman who makes Omar Khayyam, India's sparkling surprise. Look out for the Valdivieso flag Bibendum expect to import at £4.99 next month.

Nokas Barrel Fermented Chardonnay 1995 £4.99 Fullers. Sold as Vega Sindoa at Oddbins. Impressively savoury effort from Navarra. Lovely acid.

Chardonnay 1995 South Eastern Australia £4.99 Marks and Spencer. Textbook oaked fruit salad from Australia's irrigated wine country. Drink as soon as possible.

Denbies Pinot Blanc 1995 and Yellowhammer 1995 £4.99 Oddbins. Good to see Denbies' prices coming down and Oddbins taking English wine seriously. The Yellowhammer is another Worontshak offering and tastes lightly chipped. Both are extremely respectable.

Peter Lehmann Barossa Semillon 1995 £4.99 Safeway etc. The best buy in this section. Green-fruit nose, great new Picasso-esque label. Cloves and real guts on the palate. Fresh, punchy, long. Ofuch better than his oily Chardonnay/Semillon.

Wynns Coonawarra Estate Riesling 1996 £4.99 Majestic, J. Sainsbury. A particularly successful vintage: dry, racy. Not the over-perfumed oiliness that can beset Australian Riesling.

Johannisherg Riesling 1995 and Zell Castle Riesling Spätlese both £4.99 M&S. More attempts to add body to two classic German wine styles, Rhine and Mosel respectively.

Erdner Treppchen Riesling 1991 Monchhof £4.99 Waitrose. Better value than the above wines because it is fully mature and beautifully balanced. There is some sweetness, so probably best drunk as a bargain aperitif.

Ockfener Bockstein Riesling 1985 Dr Wagner £5.45 Waitrose. Tingy Sear grapes ripened to Spätlese level but cool, fine with wonderful purity of flavour. Early evening sipping?

Hartenberg Riesling 95 £5.69 Wine Rack. An outstanding South African described somewhat prosaically on the label as "Unoaked Dry Spicy White".

Domdecant Werner Hochheimer Kirobenstuck 1995 £6.49. Majestic. Piercingly concentrated fruity acidity with a bedrock of minerals.



FERCUSON

Great with many a first course.

Bacharacher Schloss Stab-leck Riesling 1992 Toni Jost £6.95 Waitrose. Off dry, racy, excellent price, minerals and integrity.

Tim Adams Clare Riesling 1995 £7.99 bigger Tesco's. Limey fresh with real ageing potential. Almost bone dry. Try it!

Forster Pechstein Riesling Kabinett 1994 von Buhl £7.99 Thresher group. This wine has been hanging around for months and deserves to be put out of its misery. Very lively start with a powerful grapefruit splat underneath. A classic from the Pfalz which could be great with Oriental food.

Hochheimer Holle Riesling Spätlese 1995 Künstler £9.99 Oddbins. A long-distance runner of great class that will be even more delicious in four or five years' time.

Riesling Schoenenberg Grand Cru 1993 Döppf at Moulin £11.95. At 25 Sainsburys. Wonderfully correct dry Alsace Riesling just starting to show some bottle age.

DRY WHITES OVER £5

Tokay Pinot Gris 1994 Ribeaupville £5.49 Majestic. Lovely cool, Alsace perfume in this co-op wine which is a bit less concentrated but just as ready to drink as a more expensive version from Bott Geyl at £7.99. Spicy, racy, for drinking with powerful food.

Villa Maria Private Bta 1996 Marlborough Sauvignon and Gisborne Chardonnay £5.99 Oddbins. Two keenly priced examples here of the lively 1996 vintage for New Zealand whites; definitely worth the 50p premium over Montana's offerings. Other leading chains will begin to stock them in the New Year.

Santa Carolina Reserve Chardonnay Maipo 1995 £5.95 bigger Sainsburys. Well balanced, restrained, dense Chilean.

Marques de Coucha Chardonnay 1995 £5.95 bigger Sainsburys. Another fine example of leesy, well-balanced Chilean fruit. Lots of punch but no flab. What could France offer at this price? Try Sainsbury's oak aged Bourgogne Chardonnay 1994 from Laroche at £5.95 which is definitely Burgundian and, for my money, just a little overweight but it will certainly appeal to some tastes.

Schoone Gavel Chardonnay 1995 La Motte £5.99 bigger Tesco's. Barrel fermented Chardonnay character (lovely texture) bursting out all over the place. Another good vintage from South African winery La Motte.

Kemblefield Hawkes Bay Chardonnay 1994 £5.99 Fullers. Keenly priced New Zealand, richer than most.

Hante Provence Semillon 1996 £5.99 Oddbins. Delicious South African from a promising producer.

Southwell Chardonnay 1996 £5.99 Oddbins. Buttery, lively debut from the Copouse winery, as one would expect from the Glen Carlou backing.

Underraga Chardonnay Reserva 1995 £5.99 Majestic, Unwines. Intriguing, meaty notes. Some real interest here. A gold medal winner at the International Wine Challenge.

Ironstone Semillon/Chardonnay 1996 £5.99 Majestic, bigger Tesco's. Another very well-balanced vintage from Western Australia. Full throttle Semillon aroma with Chardonnay undertow.

Salttram Mamre Brook Chardonnay 1995 £6.99 Waitrose. Pure Oz breadth and build with a nice lime twist.

Samuel's Bay Sauvignon Blanc 1996 £5.99 Thresher group. Buy two and save £2 until Jan 1. Talented French

may 1993 Louis Latour £8.79 Majestic. The finest result to date of this Burgundian's Big Adventure in the western wilds of the Rhone Valley.

Vergelegen Reserve Chardonnay 1995 £8.99 Oddbins and Sainsbury. Dramatically labelled and dramatically styled. For drinking over the next year or two.

St Pery 1995 Bernard Gripa £8.99 Majestic. Life is full of surprises and this substantial Rhone offering is one: for once, real substance rather than sheer tonnage. Smudgy, soft flavours could stand up to all sorts of foods.

St Veran. Les Terres Noires, Dom des Deux Roches 1995 £8.99 Thresher group. Very successful new vintage of an old favourite. All the appeal of accessible white burgundy.

Jackson Estate Chardonnay 1995 about £9 from Adams of Southwell and Gringlossom shops. More Burgundian build than most Kivi whites. Lively and good depth.

Chablis Premier Cru Beauregard 1994 £9.95 Waitrose. Very correct, to be served quite cool.

Isabel Estate Sauvignon Blanc 1996 Marlborough £9.90 Morris & Verdin of London SE1. A nice counterpoint to the famous Clouty Bay: NZ Sauvignon with a French accent.

Savennieres Ch de Pierre Blac, Clos de la Coulauc 1994 £9.95 Lea & Sandeman of London SW10, WS and SW13. A Loire classic that tastes dry, featherlight yet steely and, unusually, is already charming but should develop beautifully for many years.

Calera Chardonnay 1994 Central Coast £9.95 Majestic. Like Oddbins, Majestic takes a keen interest in California and this provides a quirky, chunky mouthful for the dinner table.

Marsannay Les Etales 1994 Alain Gayard £11.95 Harvey Nichols of London SW1 and Pont de la Tour of London SE1. Chewy texture, boorish perfumes. Not a lot of finesse in this white burgundy but a wonderfully echt antidote to New World Chardonnay.

Macon Classé 1992 Jean Thérinet Lea & Sandeman (see above) £13.95. Extraordinarily ripe perfume and yet, miraculously, enough lively acidity to counterbalance all that bold fruit. Here is a superior wine for spicy food made by the Maconnais magician.

Those looking for a rather racier white burgundy could try the Rully Premier Cru La Pucelle 1994 at the same price.

Pulligny Montrachet Premier Cru 1993 "Jean Pascal" £16.95 in just six Sainsbury stores. Very respectable white burgundy from a low-fal vintage.

Pouilly Fuissé Hors Classe 1993 Ferret £19.99 Oddbins. Absolutely stunning example though not, alas, under-priced.

Condrieu 1994 Chapoutier £23.50 Berry Bros & Rudd of London SW7, La Vigneronne of London SW7 and Benjamins of Clipping Campden. Full, peachy, honeyed. Powerful. Drink now!

Meusant Poruzot Dessus 1992 Charles et Remi Jobard £27.50 Lea & Sandeman (see above). Classic smoky-oaky stuff. Very creamy texture.

Corton Charlemagne 1993 Gaston Ravaut 27 Gelestan Castle (0171 821-8841 or 01566-503012) Good value even at a high price. Quite taut.

For a really special bottle or two you could do much worse than put yourself in the well-padded hands of Reid Wines (01761-452645) which can offer a wide array of young and old but pretty much all fine wine.

SWEET

Some real stars here. Buy now for next year and the year after.

Mick Morris Liqueur Muscat £4.99 a half from Majestic and Sainsbury. Bit obvious but good value tooth-rot.

Continued on Page XV

A BOXED SET OF 5 GREAT CLASSIC NOVALS FOR CHRISTMAS.



WHAT BETTER PRESENT than a voyage of discovery around the autumn pleasures of tawny? Matured in oak longer than vintage or LBV port, here is a compact world of astonishing mellowness, untold richness, and (quite possibly) unabridged romance.

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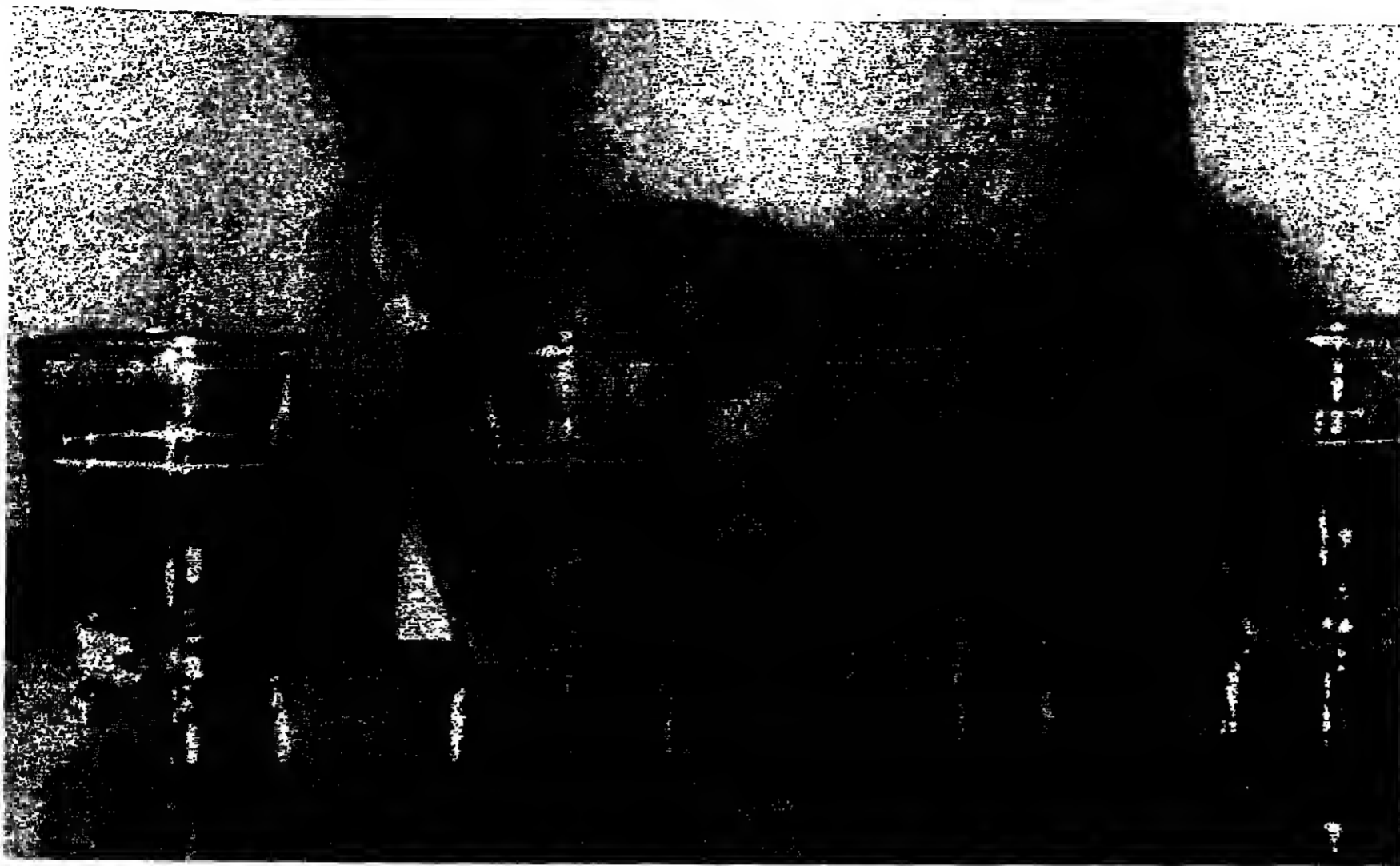
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FOOD AND DRINK



Eye-level view: a judge at the 1990 international whisky championships. From James Darwin's 'The Illustrated History of Whisky' by Harold Starke Publishers

Whisky

Skype's beastie and a half

Giles MacDonogh samples a dram or two of Talisker, a great individualist

The Western Isles of Scotland are a funny place. You would have thought them awash with whisky but, as it transpires, illicit distilling has always been restricted to certain islands. Islay once had nine large distilleries, but that was truly exceptional. Jura and Mull have one apiece. Arran's distillery has only been born. For the rest there is just Talisker on Skye.

And Talisker came comparatively late. Dr Martin Martin, a native of Skye writing in 1695, attested to the islanders' fondness for "brandy", which led them to consume three times as much as southern Scots.

The first distillery on the island was founded more than 125 years later. In 1890 it moved to its present location in the hamlet of Carbost. It was owned

by the brothers MacAskill from Elgg but 50 years later it fell into the hands of the same Roderick Kemp who ran the Macallan distillery on Speyside. He built the few 19th century relics still recognisable, as well as the pier and tramway - the only railway lines which have existed on the island.

In 1925 Talisker became part of the DCL group, the ancestor of the present owners, United Distillers. A fire destroyed all but a few outbuildings in 1960, but the stills were renewed to the old design.

Mike Copland puts Skye's reluctant history of distilling down to the islanders themselves, who were wont to spout whisky with one breath while condemning the distillery as "the house of the devil" with the other. In 1843, for example, the Rev Roderick MacLeod, a member of one of the island's two

leading clans, denounced the "erection and establishment of a whisky distillery", saying that its influence on Skye was "one of the greatest curses that, in the ordinary course of Providence, could befall it or any other place".

Copland is the manager of Talisker, a man with whisky in his blood. He was born in the Inchgower Distillery in Banffshire, where his father was a cooper. He is not the strong and silent sort of distillery manager but a Highlander with a gift of the gab.

Talisker was originally distilled three times like a Lowland malt. The practice ceased in 1926, and this was possibly when the strange U-shaped by pipes were introduced at the back of the stills. These create the "reflux" action which is responsible for Talisker's intense flavour.

The result, says Copland, is a

whisky distilled 1 1/2 times in the wash stills and once again in the spirit stills. Which is all a bit technical, but that is the nature of malt - the distinctive flavour of each individual whisky owes as much to engineering as it does to raw ingredients.

Of course, ingredients count for something. The malting of the barley is now done at Ord, but the specifications are the same - the malt is dried over peat smoke to give the whisky its characteristic "island" style, the taste of iodine or seaweed which is so treasured by malt-whisky enthusiasts. Besides the peat, spice and fire, there is also an intriguing flavour of hazelnuts.

This is 10-year-old Talisker. Before the "Classic Six" bottling hit the market it was an eight-year-old, and notably more fey. Copland called it "a beastie and a half". It mellows quickly. The

"new-make" straight from the still has the intense smokiness of an over-loaded ash-tray, whereas a 20-year-old Talisker has fattened up and is so smooth and rich that the peatiness is only present as an aftertaste.

The clue to the whisky's mellowness lies in the old warehouses above the sea-loch, where the local lobsters grow fat and sweet on duff and pot-ale. The walls are covered in a thick duff of mould with an occasional full-sized mushroom breaking through for good measure. A stream runs under the earth floor and in places the barrels are lying on mud.

Believe it or not, these are ideal conditions for ageing whisky and they contribute to making Talisker what it is - the great individualist.

Talisker is available from the leading multiples.

Appetisers

Shopping with a difference

Some people thrive on the buzz, jostle and crowds of high street Christmas shopping. Others prefer small order shopping. This year there is an alternative, the National Trust option of using the shops sited in some of Britain's finest country house estates, with lunch or tea in their restaurants.

Most participating properties will be offering festive menus, not just turkey and the trimmings but (depending on location) such proven favourites as spiced onion tart, poached salmon, tangerine syllabub, Kingston Lacy trifle, and chocolate and hazelnut roulade.

Carol singing, children's games and stories and the chance to meet Father Christmas are scheduled at some venues. Just a few of the participating properties are: Anglesey Abbey in Cambridgeshire (tel: 01223-811175); Trelicock near Truro (01208-74331); Erding in North Wales (01492-860123) and Kingston Lacy, Dorset (01202-889242).

For more information, contact your local National Trust regional office.

Philippa Davenport

Every kitchen drawer contains a wooden spoon or two. Few contain wooden forks, which I find far more useful. A pair are ideal for turning foods when sautéing or stir-frying, for lifting joints and Christmas birds without piercing the flesh, and for tossing salads. Basic kitchen forks are available at 80p each from David Mellor shops and mail order service. Tel: 0171-730 4269 or fax: 730 7240. PD

The Marquis, 121a Mount Street, W1 (0171-499 1236) is a welcome new opening. Small and intimate, with only 50 covers, its chefs combine a strong Italian emphasis with a predilection for game. Well-executed dishes included a warm potato salad with pancetta; wild mushroom soup with basil and perfectly roasted pheasant, grouse and wild duck at reasonable prices. The two-course set lunch menu is £14.50. NZ

Michelin-starred Garry Hollishead's recent opening off Wigmore Street in London has come to an abrupt end with his departure. The restaurant is to retain the name Hollishead for the moment, with the former brigade under sous chef Christen Foulser. "Any further staff changes," says owner Tooy Kitous, "will happen after Christmas." The menu structure, £4.50 for starters and desserts and £10.50 for mains, stays the same. Hollishead is to take over at Les Saveurs in Curzon Street. Hugo Arnold

Not only foodies will enjoy the exhibition of *A Feast of Food in Art* at Llewellyn Alexander's Gallery, 124-126, The Cut, opposite Waterloo Station, SE1 (0171-620 1322). Works from 45 artists including Edna Bizon are on display at prices from £200. The exhibition goes on until January 4. NZ

As regular readers will know, I favour lemon thyme over other varieties, and have something of a passion for lovage. After years of asking for - and lamenting their absence in English greengrocers and supermarkets - I am delighted to see that both have joined the ranks of fresh-picked herbs now on sale at UK supermarket

Brindisa, the importer of what I described last week in my cakes article as the best *dulces* I have tasted, was omitted. Brindisa's number is 0171-403 0282. PD

Silliest food concept this month is novelty Jonagold apples to be sold by Safeways. The apples bear the legend "Happy Christmas" on their skins. A Dutch grower has apparently spent five years developing this idea. PD

Dry, sweet, fortified and fizzy...

Continued from Page XIV

Tokay Aszu 5 puttonyos 50cl. £7.69 bigger Sainsbury's. Honey, lime and apricots in the keenly priced revival of Hungary's most famous wine.

The refreshing opposite of cloying.

Coteaux du Layon Cbaumes Domaine des Forges 1995 £8.99 Fullers only. Fresh tingly nose, lots of sweetness, a Loire classic from a great vintage which could be enjoyed now or matured.

Ruster Ausbruch 1996 Feller-Artinger £13.50 a half from Lay & Wheeler of Colchester. A relative bargain from Austria. Marmelade and spice. Very full bodied (14 per cent alcohol).

Domaine de la Forêt, Tête de Cuvée 1990 £16.95 Waitrose. Why do Waitrose consistently offer the best Sauternes? This, from a highly successful vintage, is seriously grown up.

Ch. Citimens 1991 £28.50 top five Waitrose. The single sensational Sauternes in this rainy vintage, thanks to early picking. Wonderfully smooth texture and already inviting.

Vouvray Le Haut Lieu 1990 Hunt £28.50 top five Waitrose. A sign of the times that this, the first picking of nobly rotten grapes of a great but approachable vintage from a single vineyard of arguably the greatest Vouvray producer of all, Haut, is now available on the shelves of a supermarket, admittedly a very superior one. This is gorgeous.

It could be drunk now but we should really stash away some bottles for many a decade. Reid Wines on 01781-429445 have been listing the 1924 version as "quite brilliant".

Welschriesling TBA Swischen den Seen 1995 Kracher £30 a half, Noel Young of Cambridge. A marvel of delicate balance and intensity.

FORTIFIED

Unfashionable but delicious.

Hidalgo Manzanilla La Gihana £5.99 Waitrose. Racy, lively, delicate dry sherry. Useful as palate sharpener - a cure for excess?

Sainsbury's Aged Amontillado £3.99 a half. Puncty, dry explosive more substantial sherry which could be served chilled.

Gonzalez Byass dry Apocoles and dessert Matusalem in halves £9.99, Tesco, Sainsbury, Waitrose. Top quality sherry, Matusalem lovely with cheese and nuts as well as Christmas pudding.

Blandy's five-year-old Sercial Madeira £10.99 Majestic. True madeira. Very pale, dry and correct. A sort of fino sherry specially made for Christmas day.

FIZZ

Lindauer Special Reserve £8.99 widely available. A new super fizz from Montana of New Zealand. Great packaging but that is not all. Real depth of flavour - and colour.

Croser 1992 £10.99 Thresher group. Toasty, fully mature Australian. The leaner, if livelier 1993 is hard on its heels.

Brossault £11.99 Fullers. Lean Chardonnay style of champagne but perfectly respectable and well balanced for the price.

Sainsbury's Vintage Blanc de Blancs 1990 £14.95. Some real depth from this great vintage. Lemony and appetising.

Chatagne-Talliet Champagne Brut Cuvée Six Anne £15.99 Safeway. Lively, full, complete.

Jean Louis Malard Champagne Grand Cru Ambouney £15.99 Thresher group. Lovely, open, easy-to-appreciate Pinot Noir-dominated champagne. Distinguished.

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BOOKS

FT books of the year for 1996

From church history to computer counterculture - writers and critics choose their favourite titles

Peter Aspden

The protagonist of Richard Ford's *Independence Day* (Harvill paperback, £5.99), Frank Bascombe, has turned into one of the most engaging characters in modern fiction. No matter how hard he tries to restructure his life, to be hopeful about his place in the world, he is haunted by the desperation that lurks behind middle age and middle America. Ford is as acute in his observation of life's daily joylessness - waiting for CAT scan results, arguing with former lovers - as of its transcendent pleasures. A rich and exquisitely calibrated novel.

Terry Eagleton's *The Illusions of Postmodernism* (Blackwell, £30) is an important academic book, festively exposing the limitations of a movement that has left a trail of pretentious and ignorant social commentators in its wake. Rarely has the view from the trendier universities looked so vacuous. Thorough, rigorously argued and pleasingly waspish.

Ian Buruma

Jasper Becker's *Hungry Ghosts* (John Murray, £19.99) is perhaps not the best book to read after having stuffed yourself with Christmas turkey. But this horrifying account of 30 million Chinese starving to death between 1959 and 1962, because of Mao's economic experiments, is not only well documented and fluently written, but the first major book to tackle the subject at all. Astonishingly? Not if one knows that Mao's "Great Leap Forward" was widely admired at the time.

W.G. Sebald's *The Emigrants* (Harvill Press, £14.99) is not exactly light relief - its tone is too melancholic for that. But it is a literary gem. Sebald, a German scholar living in England, has written a series of biographical essays on German emigrants to England and the US, each of which reads like a perfect novella: poignant, humorous, beautifully written. The sadness of dislocation is transformed by Sebald into a work of art.

Angus Calder

I have just, for a particular purpose, been re-reading Evelyn Waugh - a sharp reminder of how good writing can be. Two books from 1996 stand up to the Waugh test enviably well. Linda Grant's *The Cast Iron Shore* (Picador, £16.99) is a first novel which ranges from Liverpool to the US Northwest, with characters living through most of our century. It takes on huge socio-historical issues - the Jewish experience in Britain, race in the US, world Communism - but mediates them through intimate details of women's fashion, jazz - and sex, about which Grant writes with warm common sense.

No first book of poetry for years impressed me as much as Kate Clanchy's *Blizzard* (Chatto, £3.99). It is not just that Clanchy has interesting things to say, notably about male gender (but she likes men). Rhythm is all-important in poetry, and Clanchy's voices rhyme unlike those of any precursor I've read - new music, and instantly haunting.

Justin Cartwright

In *The Beauty of the Lilies* (Hamish Hamilton, £16) by John Updike is about America and his twin infatuations with religion and the movies. Starting at the beginning of this century, it traces the fortunes of the Wilmet family - Protestant, small-town, outwardly ordinary - over a number of generations, as they engage with the changing world around them. Updike is a writer who, above all other in our era, has made art out of the failures, the triumphs and the textures of American life. In *The Beauty of the Lilies* carries on this job with distinction.

Margaret Atwood's *Alias Grace* (Bloomsbury, £16.99) is a very impressive historical reconstruction job on the life of a convicted murderer in Toronto towards the end of the last century. There is no creaking historical baggage here; Atwood's imagination is able to create, apparently effortlessly, the puzzling character of Grace and her would-be redeemers, and set them quite brilliantly in their time.

The Dictionary of South African English (Oxford, £85) is a remarkable achievement of another order altogether, the product of nearly 25 years of work.

Kieran Cooke

Irish writing makes frequent references to the other world - the home of the banshees and the hobgoblin, the dark spirit and the fairy. Reading *In The Dark* by Seamus Deane (Jonathan Cape, £13.99) is a haunting tale of childhood which tiptoes between the real and spirit worlds. For the past year I have lived in Derry, the book's setting. Walk the city streets and you can still hear that little boy's footsteps.

Snow Falling on Cedars by David Guterson (Bloomsbury paperback, £5.99) is both a mas-

terly whodunnit and an achingly powerful love story. Set in Oregon, it is an understated, quietly told tale, with the cold winds of the Pacific Northwest blowing through its pages.

Testaments Betrayed, a collection of Milan Kundera's essays, (Faber and Faber paperback, £7.99) is heavy going but worth the effort. There is an analysis of the compositions of Janáček, a discussion on Kafka, and the intriguing question of whether a saint can go to brothels.

Clement Crisp

The outstanding book of my year, and not just because it is an exceptional study about ballet, is Julie Kavanagh's *Secret Muses* (Faber, £25). A biography of Sir Frederick Ashton, it is, crucially, a grandly illuminating examination of how talent is shaped by events and friendships and love affairs, and how all this was channelled into creativity. You hear Ashton's voice on every page, telling stories, joking, complaining, being what he was in life and art: one of the great poets of the heart's affections.

Violet, Jessica Douglas Hume's study of the harpsichordist, Violet Gordon Woodhouse, (Harvill Press, £17.99) also reveals how very odd passions and advanced selfishness (not least a *ménage à cinq*) sustained a notable musical talent. But who ever expected talent to be humdrum?

Howard Davies

Europe: A History by Norman Davies (OUP, £26) is not so much a book, more a way of life. It has changed mine since it landed on my bedside table in early October, and not solely because of the upside down maps (with the Urals at the bottom). Davies's 5,000 year review of the Continent is a masterpiece, and it provides a useful perspective on debates with the Bundesbank about payment systems in stage three of EMU, I find.

Charles Williams' *Bradman* (Little, Brown, £20) is not, perhaps, in the same lofty category. But I enjoyed it greatly. Bradman can claim to be the most dominant sportsman in any game, ever. His batting average was more than 50 per cent higher than anyone else has so far achieved. As cussed as Boycott, too, it turns out - though with a slightly less colourful private life.

Richard Dawkins

Carl Sagan's *The Demon-Haunted World* (Headline, £7.99) is a lyrical celebration of "science as a candle in the dark". Sagan himself is a beacon of clear light in a dark world of alien abductions and "real life X-files", of psychic charlatans and New Age airheads, of fatcat astrologers giggling all the way to the millennium. Editors and television producers - without actually asking people - have latched onto the idea that people dislike "killjoy" scientific scepticism: it isn't sexy. I defy anyone to maintain this after reading *The Demon-Haunted World*.

Showbusiness autobiographies are unfamiliar territory for me, but when I opened Claire Bloom's wistful memoir, *Leaving a Doll's House* (Virago, £16.99), I couldn't make myself turn the light out and stop reading. I am suspected (wrongly) of taking a negative view of human nature, but even the most cynical misanthrope will be dumfounded at the capricious cruelty of her third husband, the novelist Philip Roth.

Douglas Dunn

"Poets in Translation", a series that is part of Penguin Classics, provided me with much of my bedside reading this year. *Marital in English* (1996), edited by J.P. Sullivan and A.J. Boyle, is stuffed with cheek, lubricity, cynicism, hardy wit, misanthropic misogyny, the full run of political incorrectness, and sheer sagacity, from the Earl of Surrey via Ben Jonson, Herrick, Pope, Swift and Shelley to such living satirists as Peter Porter, Tony Harrison and Fiona Pitt-Kethley. This is verse at its sharpest and most entertaining.

Virgil in English (1993), edited by K.W. Gransden, might be about on comedy but it is strong on poetry of wonderful skill, passion and lucidity. Here the range is from Chaucer and Gavin Douglas to Seamus Heaney. Together with other volumes in this splendid series it offers a pleasurable education in classical poetry and poetry in English.

Iain Finlayson

If anyone is the true inheritor in this generation of Pirbank and Waugh, it is Andrew Barrow, whose style is as disconcerting as anything now being published.

The Man in The Moon (Macmillan, £14.99) cuts a ripping tear through the elaborations of the current English tragic-comic novel and returns with a fresh modernist voice to the root sources of William Cooper, Kingsley Amis and John Wain. William Barrow's hapless hero, a stand-up



Detail from Botticelli's "Madonna della Melagrana": featured in "Angels" (Courage Books, £17.99), a survey of "heaven's messengers" in art and literature

comedian of surpassing ineptitude, is surely the Gilbert Pinfold of the 1990s.

The best non-fiction book of the last 12 months is *The Readers Companion to Twentieth Century Writers* edited by Peter Parker (Fourth Estate, £26). It reads like a Literary Biographical Dictionary crossed with *The Oxford Companion to Literature* edited by a latter-day Isaac Disraeli determined to update that entertaining volume. "Calamities of Authors" and conflate it with Aubrey's *Brief Lives*.

Isabel Fonseca

For the usual reasons I read a lot of dull and patronising birth, baby and parenthood manuals this year. Then someone gave me Robert Wright's *The Moral Animal* (Abacus, £3.99). "The ultimate baby book," my friend wrote in the flap: "It covers a whole lifetime". Using the life of Charles Darwin and the light of evolutionary psychology, Wright offers a provocative, and oddly reassuring, explanation of why we are the way we are.

In Louise Guinness's wonderful anthology, *Fathers* (Chatto, £16.99), Darwin appears again, in an unexpectedly tender scene (as do many of the other fathers and sons in this collection, all of whom are better known for other occupations). Of his daughter Annie, who "expired" at the age of ten, Darwin writes, "When I gave her some water, she said, 'I quite thank you'; and these, I believe, were the last precious words ever addressed by her dear lips to me."

Charles Handy

The nicest surprise of the year was Dava Sobel's delightful little book *Longitude* (Fourth Estate, £12). It is the story of one of Britain's neglected inventors, John Harrison in the 18th century, who spent the better part of his life trying to persuade the British establishment that his clock was so accurate that it could be used to tell sailors where they were on the ocean. Sadly, we seem to have learned nothing since then, still ignoring many of the best of new ideas.

Another important book was Daniel Goleman's *Emotional Intelligence* (Bloomsbury, £7.99) which confirms what many of us have long felt, that our "emotional" intelligence - self-awareness and impulse control, persistence, zeal, empathy and social deftness - is more important in

life than conventional IQ. The good news is that Goleman believes that emotional intelligence can be nurtured and strengthened in us all.

Peter Hennessy

My pair of books cover subjects that are both part of my own individual formation and embrace two flavourful streams of post-war life - the reign of Queen Elizabeth II and the special phenomenon of transposing which, 25 years ahead of the monarchy, endured its own anguished identity crisis as diesel replaced steam in the 1960s and cheaper and coarser solutions were canvassed for its deep-seated problems under the twin banners of modernisation and reform.

Apart from that there is not much to link Ben Pinnett's *The Queen: A Biography of Elizabeth II* (Harper Collins, £20) with Nicholas Whittaker's *Platform Souls: The Transpouter as Twentieth-Century Hero* (Indigo, £5.99), unless of course, Her Majesty secretly scribbled down the numbers of the A4's shedded at Haymarket as the Royal Train swept through Edinburgh en route to Balmoral in the 1950s. Though both volumes set their subjects in the wider social and political context of their times and both stimulated my nostalgia gland most powerfully.

Lucy Kellaway

The Witch Doctors by John Micklethwait and Adrian Wooldridge (Heinemann, £20) is one of the few sensible management books in print. Written in the sharp prose you would expect from two Economist journalists, it guides a course through the overcrowded field of management writers, gurus, consultants et al, from the pop psychology on one hand to the more rigorous stuff on the other. The authors are rightly sceptical about the value of many of the management gurus; but mocking the jargon and mumbo jumbo is easy. They also achieve the more difficult task of locating the worthwhile bits among modern management theory, and sprinkling the rest liberally with examples of management gone right and management gone wrong. Too liberally perhaps. Readers who wish to be told all they need to know about management and management gurus, may wish they could learn it in rather fewer than 350 pages.

Ian McEwan

I recommend an immersion in what Saul Bellow called "deep sea" thought as expressed in Isaiah Berlin's latest collection, *The Sense of Reality* (Chatto, £20). The range and sweep of his scholarship appear boundless. Berlin is the wisest and most measured of guides to draw for us the lessons of the 20th century. Here his reflections on the tragedy of pseudo-scientific, ideological dogma return him to his lifelong themes of liberty and the power of ideas working through history.

Nicholas Crane is one of the few travel writers brave enough to confess to missing his home. He also walked 10,000 kilometres eastwards across Europe along a chain of mountains. He's an excellent companion - tenacious and charmingly fallible. He marked his stay in Carcassonne by eating 34 McDonald's McChickens because they offered more protein per franc than any other food source "apart from dead leaves". *Clear Waters Rising* (Viking, £18) is a brilliant celebration of European landscape, cultural diversity and rapid change.

My book-of-the-poolside is unquestionably Joe Eida's *Primary Colours* (Vintage, £6.99), the racy, sophisticated and very insiderish political novel based on Bill Clinton's 1992 campaign.

Brian Martin

The Christmas present for those who think supporting professional soccer innocent fun is John King's *The Football Factory* (Cape, £9.99), which presents the uncensored, startling, shocking truth about football supporters' sub-culture. It is not for the squeamish. London derbies "like Millwall, West Ham, Tottenham are all about inter-breeding and bad blood"; violence is for violence's sake. There is no sentimentality, no conscience on the contrary, there is "steaming", "rucking", and appalling prejudice mingled with blood, urine, vomit. Nor is it for "nancies today with your counselling and social workers". King knows the soccer scene inside out and describes its brutality and amorality: there are no Robin Hoods in the firms.

On a higher level for a more cultivated readership, William Trevor's compact, ironic, closely-observed short stories in *After Rain* (Viking, £16) will make compelling reading. What his economy of style omits stimulates the

imagination and makes you fear the enigmatic worst.

Craig Raine

Milan Kundera's *Testaments Betrayed* (Faber, £7.99) is one of the century's great books. Immensely and unshowily learned, sceptical, wise and sometimes wrong, it moved me by its disinterested intelligence. It contains the best pages ever written about Kafka. Here is an author who is unashamed of thought.

Rudolf Hess at Nuremberg - saluting with his raised arm a dark, ineradicable stain on the floor of the gymnasium where the condemned Nazis had been executed... Hitler's royalties for the use of his picture on postage stamps... Gitta Sereny's *Albert Speer: His Battle with Truth* (Picador, £5.99) is crammed with revelatory detail and focuses on the shocking proposition that Speer, a top Nazi, might have effectively run the Third Reich without knowledge of Hitler's Final Solution and the fate of the Jews. After all, the Reichsleiter and Gauleiter were not informed until October 6 1943 when Himmler briefed them as Poen as an act of deliberate incrimination. An utterly absorbing work of moral suspense and history held in close-up.

Malcolm Rutherford

Red Saint, Pink Daughter, the autobiography of Silvia Rodgers (Andre Deutsch, £17.99) is full of surprises and some barbed comments. Polish, atheist, Jewish and communist, she spent her early childhood in Berlin before arriving in Britain for a conventional education just before the second world war. She became a social democrat.

Also a pleasant surprise was *The Fleeting Years* by Stuart Lyons (Staffordshire University Press, £12.95). Lyons is the chief executive of Royal Doulton. He has spent his spare time pottering about translating all 103 odes of Horace. They are a remarkably sprightly read. See how many English poets borrowed from the Roman and, as Lyons suggests, you might go back to the originals.

Joan Smith

For the novel I've enjoyed most this year, it is a close-run thing between Margaret Atwood's *Alias Grace* (Bloomsbury, £16.99) and Helen Dunmore's *Talking to the Dead* (Viking, £16). I have gone

for Atwood, not because I'm a fan of everything she does but because of the book's sheer scale and ambition. It takes a little-known historical figure - an Irish servant girl accused of murder in 19th-century Canada - and uses her as a vehicle for an inquiry into memory, passion and the nature of the mind. Brimming with ideas, it challenges, moves and teases to the very last page.

I have far too many cook books so I'm wary about acquiring more. But I made an exception for David Burton's *Discovering the East: Feasts and Stories from Istanbul to Bali* (Faber, £15.99). A mixture of anecdotes, history and recipes, it brilliantly captures the atmosphere of the east and reveals the extent to which old enemies like Greece and Turkey share their culinary culture.

Anthony Storr

In *Noah's Flood: The Genesis Story in Western Thought* (Yale University Press, £19.99) Norman Cohn, the distinguished historian who is best known for his classic *The Pursuit of the Millennium*, has produced an enthralling account of how the story of the Flood, which originated in Mesopotamia, influenced both Jewish and Christian thinking throughout history. The splendid illustrations enhance the elegant text.

Bert Kelzer is a physician who works in a nursing home for the terminally ill in Holland. From this unpromising background, he has produced a memoir, *Dancing with Mister D: Notes on Life and Death* (Doubleday £9.95) which is touching, sceptical, humorous, and tragic in equal measure. This is an entirely original and riveting book.

Michael Thompson-Noel

Because of our stupidity and greed our planet is undergoing its sixth mass extinction of animal and plant species. At the root of these extinctions is the phenomenon known as ecosystem decay: the subject of David Quammen's beautifully written science/nature/travel book, *The Song of the Dodo* (Hutchinson, £20). Perhaps we will become extinct. But we may still have time to enjoy a few decades of the cyberculture revolution now underway: not just the Internet (yawn, yawn) but cybersex and other fruits of virtual reality technology. An excellent guide to computer counterculture: Mark Dery's *Escape Velocity* (Hodder & Stoughton, £16.99).

Antony Thornecroft

A.A. Gill's first novel, *Sap Rising* (Doubleday, £15.99) attracted some of the most exhorting reviews ever. The critics' main objections seemed to be that the writer is witty, superior, has silly initials, wears a monocle, calls his girlfriend "the blonde", and, as TV and restaurant critic of *The Sunday Times*, has two of the cushiest jobs in journalism. It is a pleasure to come to the defence of a book which combines nauseating scenes, notably the defilement of the dead body of a Greta Garbo figure by her pet albatross, with amusing operatic, droll comments, and tender descriptions of love making. This sub-Tom Sharpe romp among the gardens of Kensington is politically incorrect in a spectacular way which makes it among the most original novels of the year. *The City Churches of St Christopher Wren* by Paul Jeffery (Hambleton Press, £25) pulls off the tricky task of appealing to both the interested layman and the architectural historian. Wren built 51 parish churches after the Great Fire of 1666; only 23 remain. Jeffery describes all 51 in a gazetteer, but also provides a comprehensive background to religious practices in late-17th century London and the building of the churches. An indispensable, and not too bulky, guide for City seekers.

Jackie Wullschlager

I choose two full, fat and deliciously produced Lives; one little-known, the other famous, each engrossing on the price act extracts from life. *Speak Low* (When You Speak Love): *The Letters of Kurt Weill and Lotte Lenya*, edited by Lys Symonette and Kim H. Kowalka (Hamish Hamilton, £30) is the story, told in their own tumultuous, idiosyncratic language, of one of the oddest creative relationships - between a Catholic ex-prostitute and a bookish Jewish cantor's son. It is moving, funny, bitchy, riveting - and offers as vivid a picture of Weimar Germany and the world of *The Threepenny Opera* as I have read.

Hermione Lee's *Virginia Woolf* (Chatto, £20) is simply the best literary biography of the 1990s. Intimate in tone, sweeping in scope, it carries us through tragedy, joy and fierce with sensitivity and balance. It broadened my view of Woolf and of how women's experiences can be recreated on the page.

JAN 10 1997

BOOKS

The Bard caught in time and place

A.C. Grayling finds Shakespeare at home in a woolly cardigan and away in South Africa

What connects the meditative quadrangles of All Souls College, Oxford, and theatrical scenes of such violence, hatred, evil and racial disharmony that, if they featured in a modern film or television drama, they would set all our new puritans howling? The answer, of course, is Shakespeare.

A. L. Rowse of All Souls has always maintained a pious inclination to modesty. He believes that, as an historian of Elizabethan England, as a poet, and as a Shakespeare sleuth, he has solved all the main puzzles of the poet's life. His identification of the Dark Lady of the sonnets, and of their mysterious dedicatee Mr W.H., were among the first triumphs claimed. Thereafter Rowse has besieged and claimed victory over the other puzzles one by one; and now says that we know more about Shakespeare

than any of his contemporary dramatists. In this book Rowse gives his overview of Shakespeare's life and times. The result is an engaging and highly readable account of a robustly heterosexual lad from a small country town, who, ambitious to make money and set up as a gentleman, achieved his goal by good employment of his pleasant manners, business acuity and immense talent.

This is a comfortable bourgeois portrait of a man quite unlike his rowdy theatrical contemporaries. Ben Jonson killed a man. Marlowe was killed in a pub brawl, Greene left his wife to live with a whore and died young; not

a few of them were homosexual (and thus had, Rowse tartly remarks, a "cock-eyed view of life").

Rowse colours his portrait by frank exercises of imagination; for example, Shakespeare was "deeply hurt" by Greene's "upstart crew" attack on him, and went to the printer of the attack, Henry Chettle, to complain; but so charmingly that Chettle wrote in remedy, "myself have seen [Shakespeare's] demesour no less civil than he excellent in the quality he professes."

Yet Rowse's account is so faithful to such facts as there are, and so well anchored in knowledge of the period and its ways, that it

MY VIEW OF SHAKESPEARE
by A.L. Rowse
Duckworth £16.99, 151 pages

WOZA SHAKESPEARE
by Anthony Sher and Gregory Doran
Methuen £16.99, 302 pages

carries a high degree of probability. It is altogether likely that this man - whose ebullient genius overflows in the plays as if he were not one man but an army of men and women, each of whom had lived previous existences as, for example, infantry-

men or Queens of Egypt or murderers or transvestites (of both whom there are so many in the plays!) - this man, I say, might well have preferred quiet evenings at home in a woolly cardigan. And that is where Rowse puts him.

The same cannot be said for any of the characters in *Titus Andronicus*. The play is an early work which the scholars say has the hand of Shakespeare's contemporary George Peele in the first act. It oozes blood when it is not gushing it. It features multiple murder, with bodies thrown into pits; a young girl's rapists cut off her tongue and hands so that she cannot identify them; Aaron the Moor, forerunner of

both Iago and Othello, impregnates a vengeful queen who sends him the resulting black infant to destroy, but he, in the only humane act in a career of otherwise revolting evil, refuses; the queen is tricked into eating her own children baked in a pie; the stage groans with corpses, reeks with gore, and echoes with screams and cries, as brutal men struggle for power.

In an act of what was either inspired genius or pure insanity, Anthony Sher and Gregory Doran took a production of *Titus Andronicus* to South Africa in 1985. This book is the record of that experience. It was a controversial and exciting venture, and it worked: the most opposite com-

ment made was that Shakespeare's *Titus* had found its time and place; for although it is a deeply flawed play, it unflinchingly interprets aspects of human experience that history refuses to hide.

Sher and Doran give, in diary form, alternating accounts of the project's progress - and of their own personal progressions, as actor and director respectively. They take us from the beginnings, through rehearsals, to performance in South Africa and Britain. Those who saw it can vouch for the terrible power it acquires by its restitution among South African accents and resonances. There were mixed reviews in South Africa; in Britain it won awards. Sher and Doran give an absorbing and revealing account of theatre - and Shakespeare - from the inside; and of how art and life imbue one another with meanings.

In pursuit of the body beautiful

Michael Church enjoys a fruitful marriage of Darwin's theory of evolution to art history

In *The Descent of Man* Charles Darwin noted a West African tribe called the Jollofs, who were "remarkable for their uniformly fine appearance". He decided this was a long-term result of the systematic weeding-out and selling of their uglier slaves. George L. Hersey contends that figurative art has long urged us to breed, like the Jollofs, for beauty. He suggests that the gods and heroes which have confronted us in temples and churches, books and films, have gradually induced us to resemble them. They have influenced our selection of mates; we have striven to present ourselves in their guise. Modern body-builders strike poses drawn from ancient Athenian sculpture; women accentuate their sexual charms in ways which mimic their exemplars throughout the centuries.

Hersey's book does not at first promise well. He opens with the suggestion that Bronze Age body-types may have been much more diverse than they were after the enthronement of the Greek ideal; this seems both glib and fatuous. He revels in the classification of penises, and compares their respective lengths in works by artists from different periods. He makes much of the way the scorpion uses its genital organ as a weapon of war. Are we in the presence of that familiar and depressing species; the academic with an urge to be a lad?

No. *The Evolution of Allure's* opening, unvarnished contention about art's influence on body-types, is upstaged by a riveting account of the very successive generations have pursued their dream of the "ideal" - and ideally desir-

able - body. In Hersey's hands, Darwinian theory and art history mesh fruitfully.

Like John Berger before him, he pursues his argument by juxtaposing images. He puts the Capitoline Venus next to Gainsborough's "The Honourable Mrs Graham" next to a Bronze Age Cypriot goddess next to a D-cup superstar, and a point is instantly made: with one hand fondling a breast, and the other lingering suggestively in the genital area,

THE EVOLUTION OF ALLURE
George L. Hersey
MIT Press £44, 219 pages

these ladies are playing identical games. He juxtaposes an ancient statue of Priapos snatching his penis, and a Renaissance Christ sporting a thinly-veiled erection. Bernini's St Teresa - swooning in religious ecstasy - is shown to be virtually indistinguishable, in expression and attitude, from Correggio's Venus, who is being seductively laid bare by a satyr.

If the poses are a historical constant, so - to an extraordinary degree - are the bodies themselves. In this realm Hersey traces an unbroken line, starting with the visions of the fifth-century Greek sculptor Polykleitos, continuing through those of Michelangelo, Dürer, and the preposterous Lord Leighton, then getting hijacked by Hitler. But as Hersey shows, the Nazis added nothing new; they simply appropriated a racial science whose ideology derived from Victorian England, but whose roots lay in the perennial assumption that physical beauty - expressed in terms of mathematical symmetry -



A hybrid of 18th century powdered wig and dreadlocks, worn on the catwalks of Karl Lagerfeld's 1994 fashion show, featured in Mary Trasko's "Daring Do's" (Flammarion, £22), which looks at the history of hair as erotic symbol and social indicator in western culture

reflected beauty of soul.

But it was the evil corollary to this which fuelled Hitler's fire. The Great Fear: the assumption by a criminologist like Cesare Lombroso, for example, that moral turpitude could be deduced from big jaws, long arms, and jag-handle ears, and that Europe could be

swamped by the interbreeding of such monsters. We had to be saved from this fate, by the master-race hymned by Wagner and Nietzsche.

But this book is neither a political rant, nor a prophesy of artistic doom. Hersey is ferociously clever, but he writes with sunny wit; he

positively enjoys the madness of his degeneracy-hunters and purty-fanatics and he loves teasing out etymologies. I had not realised that "muscle" came from the Latin for "little mouse"; appropriate, when you consider the little mice scurrying under a body-builder's skin. And I am glad to know

more about the *mitra*. In Homeric times, this word denoted a studded groin guard, but it was also the Persian name for Aphrodite, mistress of the gods Phallos and Priapos, and herself formed out of Uranus's giant penis. Then the *mitra* found its way on to a bishop's head...

thriller which approaches the Northern Ireland conflict with the intelligence it deserves.

The same cannot be said for Keith Baker's *Inheritance*, which touches on similar territory in a far less bold and convincing way. Baker sidesteps the current fluctuating state of the peace process by setting his story of vengeful murder 20 years in Ireland's future.

The Troubles have been ended long ago, with unlikely simplicity, by a series of assassinations, when young ex-soldier Jack McCallan returns to Ulster to inherit his late father's estate, along with a few uncomfortable and politically embarrassing home truths. Not only does Baker's story have the self-conscious stiffness of all books set in the near future, it also grossly simplifies the Northern Ireland conflict, using it as little more than a cheap flame for a boisterous fast-paced adventure yarn.

McCallan is a classic innocent in the Richard Hannay mould, stumbling across murders and conspiracies the way most of us trip over paving stones. *Inheritance* is a nice, easy read, but it is unlikely to give anyone any sleepless nights.

Thrillers/Nick Curtis

Battered in Belfast

If Chris Pettit's novel *The Psalm Killer* tells even a fraction of the truth about covert British involvement in Northern Ireland, then it is a very scary book indeed. Even if it is pure fiction, it is still pretty terrifying.

Pettit's book is part serial-killer thriller, part paranoia-inducing conspiracy theory; almost casually he also gives the reader a good grounding in the recent history of the forces supposedly opposed, but often in secret collusion, in this fraught conflict. Even if the concurrent strands of this ambitious novel fall finally to coalesce, it remains a hugely impressive and highly readable work.

Pettit sets a troubled British policeman called Cross on the trail of a murderer with a mission on the already strife-torn streets of Belfast. In the tradition of Thomas Harris's *The Silence of the Lambs*, he gives us alternate insights into the mind of the cop and the killer. Most of the time, we know more about the motive and the future plans of the murderer than the emotionally confused Cross does.

Pettit handles this tense psychological balancing act brilliantly, and the murders themselves are as gruesome

as any devotee of the American slasher school could wish. There are distinct echoes of the film *Seven*, too, in the biblical preoccupations of the killer (compounded by Cross's hurdlesomely symbolic name).

But what distinguishes Pettit's writing is his meticulous research. The course of Cross's investigation touches on much in the history of the Northern Ireland conflict, recalling old factions and squabbles either absorbed, forgotten or ruthlessly exterminated by the current promoters of the battle between Catholic and Protestant. Almost surreptitiously, he leaks in suggestions of British dirty tricks, with Cross as shocked as we are that the British government might be implicated in the killings. This thriller is not affected by the on-off romance of the peace process, since it suggests that the real war is always going on behind the scenes.

THE PSALM KILLER
by Chris Pettit
Macmillan £16.99, 330 pages

INHERITANCE
by Keith Baker
Headline £16.99, 280 pages

buried after all the painstaking, page-turning detail that has gone before. But one remains haunted by *The Psalm Killer* and disturbingly convinced by its portrait of British governmental shadowplay in the Province. For all its minor faults, it remains a deeply satisfying and sophisticated

Tales from the Indian Ocean

J.D.F. Jones on a literary triumph of navigation

The Waqwaqs, the Land of the Zanj, the 12-mast, four-deck medieval Chinese junk, Prester John, the three-year siege of Fort Jesus, and so very much more: Richard Hall has surely bitten off more than anyone can chew in attempting a history of the Indian Ocean. *Empires of the Monsoon* is bound to fail, if only because the subject is impossibly wide. But his long and fascinating hook manages to become an example of popular history at its best.

Hall is a journalist who is also a respected and successful historian of 19th-century Africa. It is therefore not surprising to find that this book's emphasis lies on the African shores of the ocean, and often far inland. But how to define the "Ocean"? We don't go east of Indonesia (and it's pretty thin even there), and India, Ceylon, Mauritius, Madagascar, are covered in nothing like the detail of Portuguese empire in East Africa.

That is not a complaint. *Empires of the Monsoon* is the story of many marvels and many great adventures. The incidental detail is wonderful: Charlemagne became enamoured of a pet elephant, Abu al-Abbas, sent to him from the Euphrates in 802; the sultan of Malindi dispatched a giraffe to Peking in 1414; there was a European boom in cinnamon in the 1650s because it was thought to clear wind from the bowels; the merchant ships of the Indian Ocean all carried a seraglio of courtesans for the pleasure of the officers - that sort of thing.

There is of course a more serious story. Behind all these dramas of Portuguese, Dutch, French, British and Omani arrival and manoeuvre, there lie the imperatives of the seasonal monsoon, which used to be calculated almost to the day. The revolution was eventually arrived with steam, when the P & O could guarantee Suez to Calcutta in precisely 523 hours; "the sole concession to the monsoon was the adding of 120 hours to the return voyage in May, June and July..."

Before that, Hall starts with the mysterious and ancient Waqwaqs of Indonesia who, somehow, sailed 3,500 miles to Madagascar and brought to Africa rice, bananas, yams, sugar, breadfruit, mangoes, not to mention the xylophone. He proceeds to the Moslem expansion from south-east Arabia to east Africa and to south-west India, and to the achievements of the two greatest travellers of pre-

modern times, Marco Polo and Ibn Battuta (who surely emerges as the star of the book).

From then on the story becomes one of the "indolence, despair and moral decay" of the Portuguese empire, hopelessly over-extended after its first inspired triumphs of navigation. After Venice and Portugal, there followed the Dutch, the French, the British; it is

EMPIRES OF THE MONSOON
by Richard Hall
HarperCollins £20, 573 pages

a saga of killing, atrocity, destruction. After 1800 the Ocean became, though not without contest, a British preserve.

Hall copes bravely with this impossibly wide canvas, though, as I say, his emphasis is African. He is helpfully clear on a range of matters: that the famous English explorers of central Africa were following well-established tracks into the interior; that the world's use of slaves from Africa goes back 5,000 years; that the Portuguese never favoured South Africa because their ships arrived at the Cape at the wrong time of year; that in the last century the west brought to Africa important new crops like maize and cassava as well as manufactured goods and guns.

In this absurdly wide endeavour there are bound to be large gaps; for instance, I would have welcomed a fuller discussion of the Swahili culture of the Kenya coast - there is no reference to the Pate Chronicle - and more about Karl Peters, the vicious German operator of the 1890s. Perhaps Hall will now return to the Africa where he belongs.

He gives us one particular example of the confusion which attended the meeting of cultures and religions in the Indian Ocean. When Vasco da Gama stepped onto Indian soil in 1498, he stopped at a Hindu temple and knelt in prayer before a statue of a mother holding a baby. He may have thought that it was the Virgin and Child. In fact it was Devaki nursing Krishna. Da Gama, like so many of his successors, got it wrong.

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ARTS

Tiny Tim is dead - not the real one, Dickens' immortal creation, but the phoney one, the American falsetto who had us all tiptoeing through the tulips in 1968. The ersatz Tiny Tim piled eccentricity upon eccentricity. Tall and beaky, scruffy and hairy, he went bravely against the spirit of the age, supporting the Vietnam War, protecting his virginity until he met and married his "Miss Vicki", coyly arranging the ceremony, surrounded by tulips, on a live peak-time television show.

The public soon tired of "Tiptoe through the Tulips" and Tiny Tim's one-note personality: the fact that he was a traditional folk song expert and could strum out thousands of rarities did him little good. He died, shakily in hand, after performing once again the number on which he built a long, if precarious, career. Tiny Tim is one of a select group of pop personalities - not just one-hit wonders, but one-noticed-hit wonders.

The novelty song has a long and distinguished history, although at the peak of the late-19th century music hall it is

A tiptoe through the novelty songs

The subtle power of nonsense will not die with Tiny Tim, writes Antony Thorncroft

tricky to decide whether popular favourites like "I'm 'Enry the Eighth I am, I am" and "I'm Gilbert the Filbert, the knut with the K", are novelty numbers or the pure gold of the genre.

In the era of the flappers, novelty songs such as "My Cousin Makes the Noises for the Talkies", and "Yes, we have no Bananas", were the staff of life, and it was a rare Hollywood musical of the 1930s and '40s that did not include one ineffably silly song - "Bingo, bango, bongo, I'm 30 happy in the Congo" comes remorselessly, and inappropriately, to mind.

The irony is that, just as in its music hall heyday, the novelty number could sometimes slip imperceptibly into greatness. This was most noticeable in the popular "list" songs of the 1930s in which the genius of the composer could transform musical jokes into epitomes of wit. Cole Porter's "You're the tops" and

"Let's do it", and Noel Coward's "Mad dogs and Englishmen", are 20th-century classics.

But these are exceptions: the main characteristic of a novelty song is that, after the first mild glimmer of surprise, it is irredeemably awful. There might have been an excuse for such frivolity in the second world war when the awfulness of life encouraged a plague of escapist nonsense. How many babies were confused by mothers crooning "Mares eat oats and does eat oats - but little lambs eat ivy" over the roof, how many air raid shelters were warmed by choruses of "She'll be coming round the mountain when she comes", and its more feisty variants; how many involuntary "woof, woof" completed that most infuriating first line, "How much is that doggie in the window?"

But it was during the subsequent decade, as the world waited for the eruption of pop

music and entertainment was dominated by the radio, that the novelty number reigned supreme. Max Bygraves built a career upon irritating the public with such infectious nonsense as "Gilly Gilly Ossenfeffer Katzenellen Bogen by-the-sea" and "You're a pink toothbrush" and Charlie Drake curled toes with "My Boomerang won't come back". And as in the 1930s, there were composers who could transform nonsense into satire, notably Flanders and Swann. The novelty here was quality getting an airing amid the dross.

As the pop era dawned, novelty numbers went out with a burst of nausea - Lonnie Donegan asking "Does your chewing gum lose its flavour on the bedpost over night"; Benny Hill leering out "Ernie - the fastest milkman in the West"; Bernard Cribbins with topical social comment on the trade unions in "Right Said Fred", a song which

spawned a pop group of the same name a generation later, which maintained the tradition with a typically in-your-face update: "I'm too Sexy for my Body" is little more than a naughty novelty number. And direct of all, the novelty song-cycle from hell - "Sparky and his Magic Piano", which highlighted the Saturday morning "Children's Favourites" radio programme.

The popularity of nonsense songs in those more innocent eras is obvious: they are sing-along numbers when communal singing was a favourite form of entertainment. They also reflect the simplicity of a time when sophistication was second cousin to sin. After pop took over and music became a serious business, novelty numbers became, well, a novelty.

However, they have a nasty habit of turning up again around

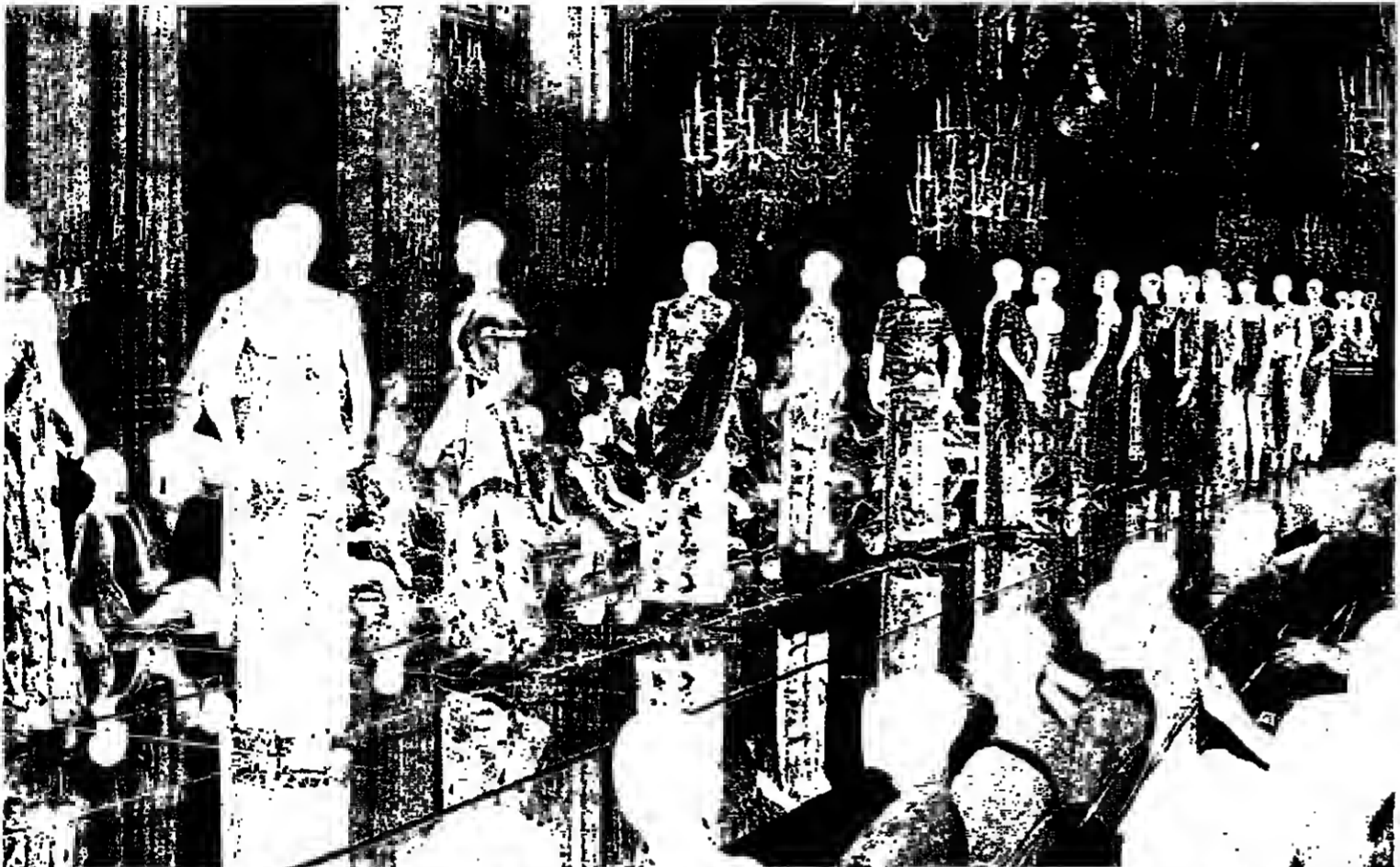
Christmas. This year you can buy the Three Fivers - Jimmy Tarbuck, Bruce Forsyth and Kenny Lynch, doing silly things to "Winter Wonderland" and to the Three Tenors. Only at Christmas could Clive Dunn have got away with "Grand-dad"; Little Jimmy Osmond with "Long Jimmy-lover from Liverpool"; and Dora Bryan feed off the seminal "All I want for Christmas is my two front teeth" with the spoof "All I want for Christmas is a Beagle".

If the dominance of pop in its myriad forms is undermined in the charts these days, it is by something serious - a semi-classical piece, or monks and a nun or two, providing a break from the jungle. There are no songwriters left who are capable of being really silly. Most performers want composing fee royalties and they don't want to be linked to nonsense.

Yat nonsense has a snhtle

power: it seeps into our bones against our better judgment. Most novelty numbers now make you cringe: at one time you probably sang along with gusto. They have a way of undermining the most impenetrable defences. Even Lady Thatcher was not impervious. As one of her Desert Island Discs she was proud to admit a weakness for "Two Little Boys" by Rolf Harris, another man whose career is a perpetual nonsense. Indeed Harris has used the novelty song to reinvent his career, at the same time wonderfully parodying the solemnity of pop. What could be a greater novelty than his version of Led Zeppelin's "Stairway to Heaven"?

Rolf Harris' career has suddenly soared upwards again. It was not to be for Tiny Tim. He tried working with a circus; he embraced country music; he divorced his first wife "Miss Vicki", and married again, and again. But further success eluded him, and he died, aged 66, still him. But his one hit novelty number at least ensured that he had more than the 15 minutes of fame his talent deserved.



One of the more successful contributions: Emilio Pucci's installation, which recreates a 1950s catwalk show in the same beautiful room in which it was first held

Culture all dressed up

Lynn MacRitchie finds Florence in the throes of making a fashionable statement

Michelangelo's David is flanked by swirling autumn leaves (Merz and Sander). While the idea is intriguing, none of the pieces quite come off. Hirst and Prada probably had lots of fun creating a dinky miniature zoo - the pony, goat, geese and hens are so far spared the formaldehyde treatment - but not much else. Alala's frock easily outshines Schnabel's emptier than ever paintings. Lichtenstein's life-size ceramic mannequin embalmed with his trademark red, yellow and blue dots is fun, but makes the Versace dresses which hang beside it look very tame.

In the Belvedere itself, the historical survey of photos, drawings and items of clothing by designers and artists ranging from the Russian Constructivists to the present day, offers some clues as to why the pavilion collaborations fail. Artists make works based on clothing in order to make a statement about the human condition. By contrast, couturiers make clothes which are designed to be worn, however outrageous. As Vivienne Westwood says in the catalogue "Fashion is an applied art, dependent on the chic of the wearer."

In her own contribution to "New Personae/New Universe", housed in the disused Stazione Leopolda, Westwood takes a didactic position. She simply presents a room full of her clothes, accompanied by notes and sketches explaining each outfit's origins in her own historical research. A glorious green taffeta gown hangs asymmetrically from the shoulders

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to recreate the effect of a figure in movement captured in a Watteau painting. A denim and linen ensemble is slashed to ribbons because, the designer recounts, returning warriors once looked so chic in their heroically tattered clothing that it became the style of the day. Westwood is a true artist, her unique vision and uncompromising execution giving her work seriousness and depth.

She is equalled in Florence only by the city's own Emilio Pucci. The work of this Florentine marquee, playboy, skiing champion and designer is celebrated in a wonderful installation in the Pitti Palace, which recreates, in the same, beautiful, crystal chandeliered room in which it was first held, a Pucci catwalk show of the 1950s. Mannequins wearing Pucci watch others modelling Pucci clothes down a mechanical runway, the vivid colours of the often heavily jewelled dresses suddenly revealed in a blaze of dazzling light. Upstairs are sketches, designs and outfits from Pucci's most famous collection of 1957, based on the heraldic designs identifying the competitors in Siena's Palio horse race. Like Westwood, Pucci had a unique vision which he realised with total dedication. The sketches and clothes make clear how rich was the seam of historical research, based on the history of Italian art, Pucci brought to his witty and colourful fabric designs.

Back at the railway station, while the work of some of the selected artists such as Kiki Smith or Tony Oursler looks a little tired, some of the designers have taken the opportunity to make surprisingly successful installations. Armani's "Essenza", nine tall vertical beige panels set on a light box, is an effective appropriation of minimalism; and Tom Ford, designer for Gucci and fashion's current hottest property, has made an installation which is both aesthetically successful and very funny. In its first section, standing on a white marble floor between white fur walls, we overhear a telephone conversation in which the male and female protagonists begin by squabbling over ankle-strapped shoes and go on to discover they are both sleeping with the same man. Things come to a climax when we reach a black marble floor between dark red plush walls, where the sound of zips being undone mingles with creaks and coital groans - the ultimate function of attractive clothes, after all, is to have someone take them off.

Some designers responded with great sensitivity to a range of fascinating places when invited to design on site installations in some 18 museums. But they don't all work. Visitors mesmerised by Michelangelo's David did not seem to notice the Valentino gowns ranged on either side of the huge statue.

Biennale di Firenze "Looking at Fashion" until December 15.

Record Review/Richard Fairman

Arias for every eventuality

The picture of musical research taking place in the dusty corner of some university library has become out-of-date. These days it is commercial pressure as much as any academic need that is driving scholars and performing musicians to look ever deeper into the legacy of musical history.

It has become a remarkably fast-moving world, in which the record companies are prime movers. The hungry demand of the recording-buying public for something new has resulted in the digging-up of ever more novelties, either obscure music or variants on pieces that we thought we knew well already.

Since interest began to revive in Rossini's operas it has been known that his *Tancredi* can be performed with either one of two alternative endings. Rossini originally turned a tragic play in which the hero dies into an opera with a happy ending, but later had second thoughts and put back *Tancredi's* death.

The latest recording of *Tancredi* includes both endings. What is more, they are neatly arranged on the last disc, so that the listener can programme the CD-player to play just the one that is required that day - happy or sad, as the mood fits. (To fill the three discs this issue also includes other alternative material, such as the new entrance aria that Rossini wrote specially for the first singer of the title role.)

Both endings work on disc, thanks to the keen dramatic intelligence of Veselina Kasarova, who sings *Tancredi*. This young Bulgarian is a Rossini mezzo of old-school standards, who has worked her singing to the point where every word and note is scrupulously exact. It will be tempting to hear her in the showpiece coloratura finale and then go on to Rossini's inspired quiet death scene as well. Eva Mei is the skilful, though not very heartwarming Amenaide and Ramon Vargas sings an attractive Argirio. Roberto Abbado conducts with some panache.

Even in the complicated world of opera texts, Verdi's *Don Carlos* is a law unto itself. Cut, translated, revised, re-written, translated back again, it exists in so many different versions that it is impossible to declare any one of them

definitive. All the music Verdi wrote for the opera is worth hearing, so what to do? This new set gives us the five-act opera in French and postulates its own version, assembled in such a way as to incorporate as much of the music that is not usually heard as possible.

That in itself would make it worth acquiring (at least by those who do not already have DG's pioneering set of the five-act opera in French under Claudio Abbado). But this is also a performance with gut theatrical feeling. Recorded live at the Théâtre du Châtelet in Paris, it starts a little sluggishly, but by the time the performers have plunged and made his first recording with period instruments. His set of Mozart's *Così fan tutte* was also recorded live, at Symphony Hall, Birmingham, in December last year. Not so long ago it was difficult to find a production of this opera that was not heavily cut, but these days even snippets out of the recitatives are frowned upon. Rattle performs the opera complete and - as with the *Tancredi* above - adds an appendix with Guglielmo's alternative aria.

It is a live performance in every sense. Alongside the respected Mozart conductors of previous generations, Rattle certainly works the music hard, taking the tempos to the extremes of fast and slow, to a degree which some people may find exaggerated. But how spontaneous the performance sounds. The music charts the changing emotions of the characters with a remarkable freedom, taking what can seem rather formal numbers, like the Dorabella/Guglielmo duet, and releasing the expression of their feelings in every phrase.

He has a good, though not exceptional, cast. As in some other recent period-instrument Mozart opera sets, the singers here can seem lacking in personality. Hillevi Martinpelto's Fiordiligi and Alison Hagley's Dorabella, both sopranos, blend nicely in duet, but do not contrast with each other sufficiently. Kurt Streit is an incisive Ferrando and Gerald Finley sings a fine Guglielmo, without the moments of strain that occasionally trouble his colleagues when recorded live. With Thomas Allen, a nicely debonair Don Alfonso, it was almost a team without weakness. If only Ann Murray had not turned in such a crude performance as Desdemona: What was this marvellous artist thinking of?

Finally, a note on RCA Victor's presentation box, devoted to Leontyne Price. Here is another area where the record companies can mine for new releases: their own archives. From a whole career's worth of recordings, this selection covers 11 discs and ranges from the expected Verdi arias, to French and German song, and hymns and spirituals. It is a regal collection, sumptuously packaged, for a prima donna whose reign has never found a natural successor.

reached the garden scene in Act 3, the music-making has reached a pitch of dramatic intensity that makes one's spine tingle. Antonio Pappano is on the way to becoming an exciting Verdi conductor.

Anybody who saw the production when it came to the Royal Opera House in London earlier this year will be familiar with most of the cast. Karita Mattila is a silver-voiced Elisabeth, who has comfortably raised her singing to the appropriate Verdian stature. Her duets with Roberto Alagna's Don Carlos include some marvellously subtle and inward interpretation.

Thomas Hampson's Rodrigo is splendidly lyrical and José Van Dam knows all there is to know about Philippe II, even if he is not a true bass. Perhaps Waltraud Meier (not heard in London) attacks Eboli's music rather heavily-handedly, but there is no lack of red-blooded drama when it is needed.

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Theatre/Ian Shuttleworth

Panto for parents

It may seem daft at this time of the year to send a professionally hab-bumbugging adult to review any children's show. In fact, any production worth its salt will, in that awful phrase, "speak to the child in all of us"; and if not, well, one can always watch the audience response.

So: the numerous children at the press performance of *Pinocchio* began by applauding musical numbers politely, but the inevitable fidgeting, coughing and whispering began (I timed it) within some 10 minutes of the opening curtain, before Pinocchio himself had been carved by Gepetto out of a talking log. As Act One reached its muddily recounted close, a young voice somewhere in my left piped up in puzzlement. "What's happening?" Later, though still before the interval, another asked more directly, "When are we going?" Not for another hour, little one.

Actor/director Anthony Clark and his composer Mark Vibrans (the team behind the Birmingham Rep's successful adaptation of *The Red Balloon*) have set out to create a family rather than a children's show, but while admirably determined not to behave condescendingly towards their little constituency, they steered so far in the other direction that the play frequently lapses into sententiousness. Nuggets of wisdom such as

"Actors go to such lengths to tell the truth, they lie," are sprinkled through the proceedings; if this is Clark (as he professes in the programme notes) in non-didactic mode, one must be thankful for small mercies. Kevin Austin has a particularly tough break as Grillo the cricket. Pinocchio's self-appointed conscience, although Austin plays him so unnecessarily surly that I for one wished the hammer Pinocchio threw at him had finished the job.

The songs are hummable by adults but not sing-along-

able by children: they are accompanied by occasionally wonderful staging (not even in a Lewis Carroll show will you see a pair of crustaceans samba-ing), but are received tolerantly rather than enthusiastically by youngsters.

Neil Warhurst is (of course) a mischievous Pinocchio, though not an especially compelling one; Cal McCrystal makes a lovable Gepetto and Nicky Adams an unusually robust Blue Fairy (briskly advising the wooden lad at one point to "Get a Life!"). Ruari Murchison's design includes a number of neat touches, including a magnificent whale shark. The performance drew warm applause - but, in a telling sign of its main appeal, the few cheers came from grown-ups.

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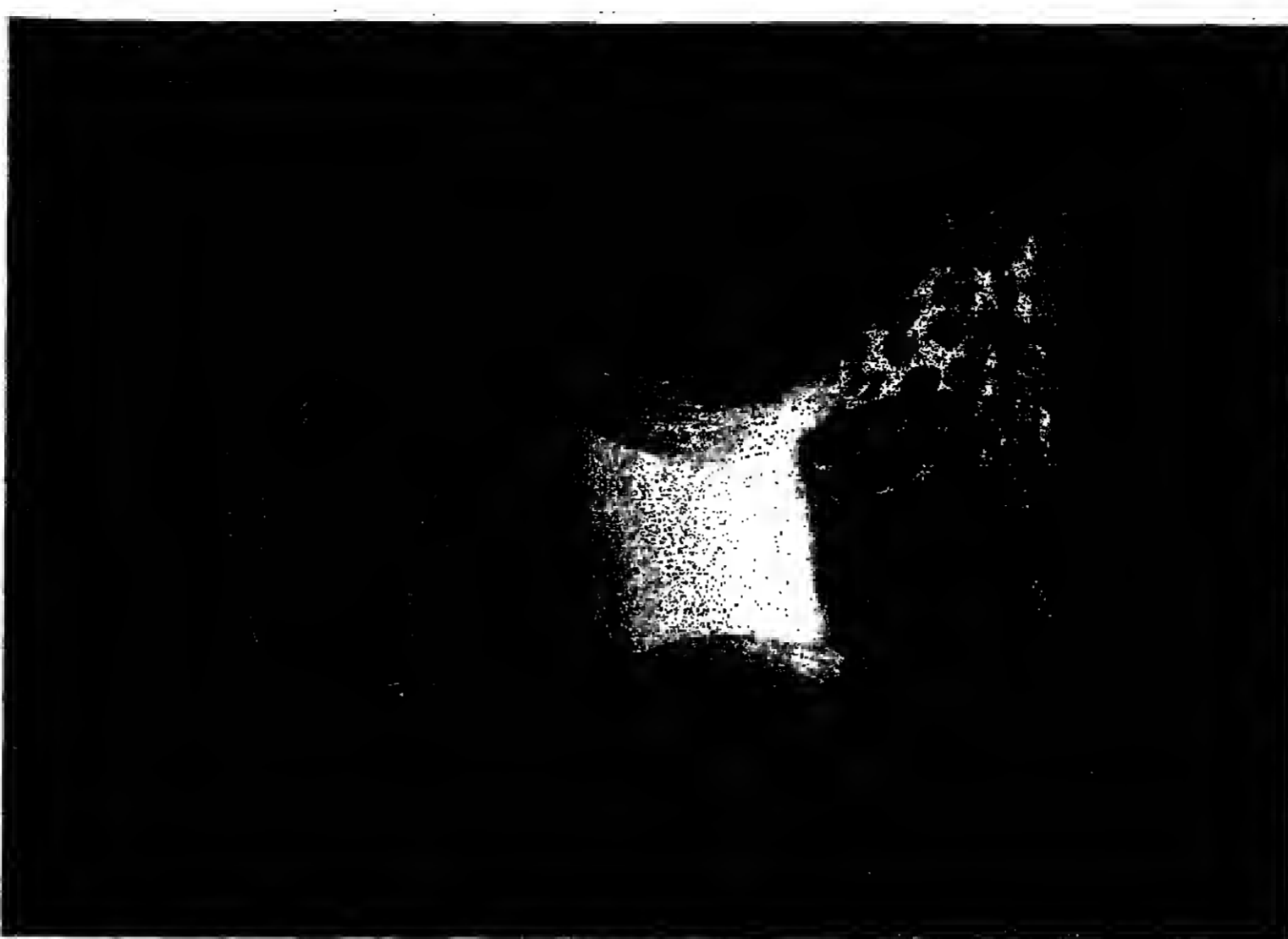
ARTS

Howard Hodgkin, at 64, is a British contemporary painter of singular character - and an abstract painter at that - who has long enjoyed the regard of his peers and the deference of an informed public.

Hardly known before to a more general public, let alone abroad, he has prospered remarkably in his reputation since representing the UK at Venice in 1984.

Little of Hodgkin's work survives from before 1980 and this show covers work only of the past 20 years, set out in a loose reverse chronology. But that is enough to establish its inherent consistency in practice, its formal structure and handling, while adumbrating a subtle transition from the colourful, abstracted art-deco of the earlier work to the colourful, abstracted romantic expressionism of the later.

As painting, the work is often awkward, pawky, even ham-fisted. Here is no subtle, painterly modulation of the surface but a great sweep of a fat and loaded bouse-painter's brush overlaying the one before, and the one before that. The paint takes in the frame, renders what is painted quite as much an object as a painting.



Oblique, mysterious and infinitely beautiful: 'Images of Max', 1995 by Howard Hodgkin

Loaded brushstrokes

Let Hodgkin's paintings do the talking, advises William Packer

philosopher painter of his public utterances and attitudes, sits upon such an oeuvre.

Are these the paintings of a clever man painting the paintings that a clever man of his generation knows to be the sort of paintings a clever man should be painting, or at least would wish to paint? Perhaps. They are very knowing, mannered, controlled. There would seem to be a tension between the natural, instinctive painter who can hardly help but make a lovely, persuasive mark, and the self-conscious artist, making Art. These paintings are

very seductive and ultimately convincing. And they are beautiful.

Hodgkin will not be pleased at that, inescapable though it is. "How irritating it is," writes in a letter to John Elderfield, "to be constantly told that my pictures are beautiful; this either suggests that they have no meaning and are therefore failures, or that no one cares whether they mean anything or not, or that if they look pretty they cannot have any content."

No it doesn't. It simply means that whatever else they are or do, they are also beautiful. "Also, particularly in England, a feeling exists that the use of colour as a pictorial device suggests a fundamental lack of seriousness; also that the overt emotions and feelings expressed in painting are in some way elitist." This is self-pitying, self-serving nonsense. There are times when Sir Howard's endless searching after intellectual respectability becomes tiresome. The paintings themselves, oblique and mysterious though they are, are infinitely more eloquent on his

behalf. What, after all, is wrong with being a painter, and rather a good one, if that is what you are?

The paintings are as rich in association as they are in colour. "Talking about Art"; "Waking up in Naples"; "It can't be True"; "When did we go to Morocco"; "Sad Flowers" - and we look into the vats and swathes of paint for clues, picking up perhaps a hint of an arch or brush, column or tree, a hill in the distance or the back of a head. Are these landscapes, still lifes, conversation pieces, abstract paintings? It hardly matters. Always there is the point

on the surface, and the flick and drag of hand and brush, to bring us back to the sensation of the surface, to what colour is as colour, paint as paint, painting painting. The pictorial space is shallow, essentially theatrical, almost always defined by the proscenium arch or window through which we peer to see the world afresh. Formulaic? Of course it is formulaic, but with an infinite capacity for intuitive variation and personal response.

These are, damn it, beautiful things, true celebrations of painting itself, in a time when true painting is at a premium, and something to celebrate. And we haven't mentioned Matisse once.

Howard Hodgkin - paintings: Hayward Gallery, South Bank SE1, until February 23.

Radio/Martin Hoyle

Dangerous good deeds

It's official. What we suspected now bears the imprimatur of academic research. The weekend is a danger spot for depressives, with Sunday an emotional Bermuda Triangle where the sensitive founder and are swallowed up.

Well, Radio 3 listeners doubtless are. That channel's good deed last sabbath was the world premiere of *Intimations for Saxophone* by Sophie Treadwell, the American playwright whose *Machinal* has been successful at that little London outpost of transatlantic culture, the National Theatre.

Though written over 60 years ago *Intimations* has remained unproduced, a fact that should have told Radio 3 something.

The play deals with a New York socialite weary of the "vulgar empty world" of the rich. I never cease to marvel at how fulfilled the Sun-reading, rottweiler-owning, tracksuit-bottom wearing poor must be by implication (the playwright was not badly off, need one add, though she left her estate to American Indians, presumably hoping to bring some empty vulgarity into their lives). Our heroine, played by Fiona Shaw, is listlessly diverted by the attentions of a cabaret performer who expresses attraction by shyly throwing knives at the punters catching his eye. Kate Rowland's production of this interminable parade of caricatures from an Expressionist comic strip manqué, underlined by dirge-like arabesques on the sax, sent me whimpering to Classic FM where, it being Sunday, I had the fortune to hit on *Howard's Week*.

Margaret Howard, an irremediable loss to the BBC, was dealing with garden suburbs and new towns, "one of the best British ideas of the 20th-century," according to Peter Hall (the town planning expert, not the theatre director). She also caused John Gummer - at whom I would not be surprised to hear knives are often thrown, though possibly not as a play of sexual allurements - to do the vocal equivalent of jumping up and down in agitation as she

politely asked about inner-city deprivation. She was told she was out of date and ill-informed. Inner cities are no good improved, averred the soup-ladling - or hamburger-donating - incarnation of Lady Bountiful. Later that evening the news informed us that the average age of those who die while homeless had gone down to 42. At this rate our juvenile crime problems will be solved in the most terminal and irreversible way possible. Keep taking the hamburgers and trusting to the unexpected Gummer sense of Swifitian humour.

As ever, nostalgia can be relied on. *Wolsylogroony*, Radio 2's new quiz on the 1950s, '60s and '70s, had me digging the names of forgotten pop groups from my Radio 3-curled brain. As yet not quite sure of its identity the series got off to a jolly start though Toyah Wilcox sounds cautious, like a grown-up at a children's party.

Is the excellent Derek Cooper's *My Granny's Larder* meant to be nostalgic? I wonder how many closet users of Bird's custard powder there still are. This hymn to the unexpectedly British contribution to the development of convenience foods provides a fascinating slice of social history, including sidelights on advertising. Thomas Lipton filled the streets of Glasgow with thin men labelled as "going to Lipton's" and stout men coming happily away. Scott of the Antarctic found time to write an endorsement of custard powder from the frozen wastes (sponsorship is not new).

Another new series, *Points of Reference*, has begun beautifully: a radio natural, the four programmes are devoted to the point of the compass, starting with the idea of the north - what it means to us geographically, poetically, emotionally; Yorkshire or the Arctic; would not be surprised to hear knives are often thrown, though possibly not as a play of sexual allurements - to do the vocal equivalent of jumping up and down in agitation as she

The answer to the eternal question "Why are we here?" may at last be emerging. We are here to build and service God's master race: computers. Those who have been watching *Cyberspace* on ITV on Sunday evenings (last episode tomorrow at 10.50) will have mused upon the fact that, way back in the mists of time a survey was organised to see how many computers the world would need, and concluded that the answer was six. We then got used to the idea of every company having its own computer,

but they were still nothing much more than big number crunchers. More recently they evolved into typewriters with filing systems attached, and we began to use them at home.

It is really from that point that *Cyberspace* began, looking at the leading edge of the business - or rather the leading edges in cinema,

music, art, video games, virtual reality, and the Internet - and trying to decide where this continually accelerating revolution might take us. To their credit, producers Mick Csaky and Erihan Arora have built in a sort of cold shower system to cool us down whenever the techno-evangelists show signs of whipping the enthusiasm up to fever pitch.

Someone (usually American author Mark Slouka) comes on to ask whether a virtually permanent escape into an unreal world is the healthiest thing for our children: whether we really want weapons systems that select their own targets, even if it does mean that human soldiers will no longer have to die in wars, and so on.

There is, obviously, an enormous problem when trying to convey to the uninitiated the wonders of state-of-the-art computer technology via programmes like these: the flat, two-dimensional television screen is a hopelessly inadequate means of illustrating such complexities. Given such difficulties, the producers of *Cyberspace* have done a remarkably good job.

True, there have been moments when they lost me: I still do not understand how the cartoon figure was induced to jump up and down when his creator raised his arms, nor is it clear how the television camera was able to show the two of them together, unless the toon was a three-

dimensional model specially made for the studio, which would seem to nullify the whole thing.

Most of the time, however, they succeeded in conveying to this viewer/user (whose only experience of video games has been "Chucky Egg" on his son's BBC Acorn in 1981, and who has never donned a data glove or a VR helmet) a pretty vivid idea of what the high priests of electroculture are getting so excited about. There is still a powerful feeling of unease and distrust, as there used to be when acid-heads tried to turn you on to LSD in the 1960s, but also the same temptation to try.

The television representation of "flying" under water in virtual reality is neither more nor less exciting than the famous and seminal "stargate" sequence in Kubrick's *2001*, created 29 years ago and described, fairly enough, by its creator in the opening episode of *Cyberspace* as the beginning of "the immersive experience". Yet watching the representations in this series and projecting via your own experiences of dreaming, it is possible to guess at the advances made by VR.

Surely resistance to this revolutionary cyberculture is nothing more than technophobia and obscurantism. In tomorrow's programme it is admitted that what is selling cyberspace is - surprise, surprise - sex. But what could be better than teledildonics:

sex of any description with anyone you care to imagine whenever you like for as long as you want? According to this series the first direct interface between the human nervous system and the silicon chip has already been developed. Soon we shall be able to plug our computers straight into ourselves... or vice versa. Hence the answer to the eternal question.

What could be better than a tool capable of providing not only an infinite array of facts and calculations but also an unlimited universe of experiences, feeding direct into the human brain? The odd thing is that there is a tool which already does all that and more and, unlike computers, is lightweight and user friendly: the book.

If only books had been invented after computers the real sophistication and superiority of print would be obvious: no electrodes, screens, gloves or helmets, not even any need for electricity, so you can stuff it in your pocket, take it with you to the ends of the earth and use it there. But with the computer, as *Cyberspace* shows, well on the way to becoming God it is going to be an uphill job to persuade people that the paperback is a better bet.

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COLLECTING

A strong but crowded market

The sale of an 18th century French silver tureen is the telling sign of art's recovery, says Paul Jeromack

New York may now be the centre of the art market, yet its machinations, successes and failures are given little space in the city's two leading newspapers, the New York Times and The Wall Street Journal. That is except for when the twice-a-year auctions of Impressionist, Modern and Contemporary Art take place, in the spring and autumn.

It is easy to see why this is the case - of all the applied arts, they have an unrivalled popularity and routinely command many millions of dollars. And always, the auction house experts, auctioneers and dealers are interviewed, and everyone says such things as, "bidders get excited by items fresh to the market". "The estimates were too high just right" and that old favourite, "the art market is back".

And so it is. The American economy is slowly on the up, people feel more confident about the future and have a greater disposable income than a few years ago.

Of course, some people have more money to play with than others, as can be seen by the auction results of a few weeks ago - Sotheby's had its Degas pastel "Dancer in Yellow" at \$8.5m, and its classic Degas bronze "Fourteen-Year-Old Dancer" at \$11.8m; Christie's Monet, "The Artists' Garden at Vetheuil" was \$13.2m and its 1949 William de Kooning "Woman" \$15.6m (the most expensive lot sold in New York this season).

The market has recovered, and we can all presumably breathe easier. Although the Impressionist and Modern sales are usually taken as the bellweather for the health of the overall market, one should perhaps not be

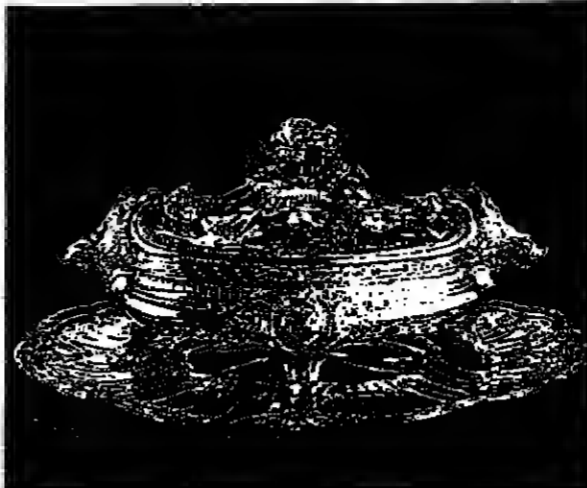
too surprised at the above prices. Questions of quality or freshness aside, these are all instantly recognisable works (and in the case of the Degases and Monets, undisputed masterpieces) that proclaim their importance at 100ft. It therefore should be easy to find buyers for such works, regardless of their price. If this is the case, how can the sale of such works be regarded as a sign of the strength of the market?

In fact, the test of the real strength of the art market lay not with the Impressionist or Modern art on offer, but with the sale of an extraordinary 18th century French silver tureen and stand by Thomas Germain at Sotheby's on November 13.

A rococo masterpiece, elaborately chased and modelled with boar's head handles and topped with a three-dimensional silver still-life of crayfish, morris, game-birds, celery and brocoli, its overwhelming quality had saved it from the numerous silver "melts" that claimed so much Royal plate from the Thirty Years War to the French Revolution. Nothing like it had been on the market in nearly 40 years, yet its estimate of \$7.5-\$8.5m shocked many.

What is now an almost routine sum for a good Impressionist work is still unprecedented for a piece of silver, no matter how important. To promote the sale of the tureen, Sotheby's lavished a fortune on the catalogue, with 100-plus pages of articles and notes, buttressing eight lots of silver, which included a pair of figural candelabra by Germain and his son and a pair of Louis XV wine coolers by Claude Ballin II.

In spite of this, Sotheby's silver director Kevin Tierney had no idea who would bid. The Getty Museum surpris-



The real test: the silver tureen that sold for \$10,287,500

ingly had no interest in the tureen, having decided to suspend any further purchases of French decorative arts, and the estimate put it beyond the hopes of the Metropolitan or Victoria and Albert museums.

But these days, if any work of art is truly extraordinary, bidders will be found regardless of estimate, and two private collectors, one bidding by phone, the other represented by London dealer S.J. Phillips, were sufficiently taken with the tureen to push the price to a record \$10,287,500, won by the phone bidder, Titus Kendall.

And what of the private dealer? Overwhelmed by the prowess of the auction houses and Manhattan rents and overhead costs, for them the art market recovery is a slow process. "Off the street" sales and impulse buying are non-existent, and several dealers have either scaled back their premises (Dieder-Aaron) or closed shop entirely (Colnaghi). The local press is rarely of help to the private dealer.

Some enterprising dealers have eschewed the cold grandness of such places as the former Colnaghi, instead emphasising the "nice-price" concept of Manhattan's department stores during the holiday season, as seen in old master dealer Lawrence Staigrad's current exhibition at Naumann's gallery, "Old Master Pictures under \$100,000". For many dealers, both in

New York and abroad, solace is found in numbers at one of the dozens of well-managed art fairs that have proved a viable alternative to the auction houses. While a fair is a boon to the small dealer just starting out, older, more established dealers have made art fairs an integral part of their business, as can be seen with Richard Green, arguably London's most successful paintings dealer, who exhibits at eight art fairs a year: Grosvenor House, the Paris Biennale, Maastricht, and five in America: the Greenwich (Connecticut) Antiques Show, the New York Winter Antiques Show, Brian and Anna Haughton's International Antiques Fair, the International Fine Art Fair, and Green's annual participation in the racing season at Saratoga Springs, New York, with his exhibition of English sporting pictures.

"Participating dealers are now doing 40 per cent of their business through art fairs," says Anna Haughton. Anna Haughton and her husband Brian have in the past few years made their presences felt in the New York art world with their October International Antiques Dealers exhibition (paintings, furniture, decorative arts), the May International Fine Art Fair (paintings, drawings and sculpture) and most recently the March Asian Art Fair.

The Haughtons are only the latest arrivals in what is an increasingly competitive field - especially so as most dealers want to show in Manhattan, and the most popular venue, the Park Avenue Armory, is booked up years in advance. According to veteran show promoter Sanford Smith, art fairs may be falling victim to their own popularity. "The gates are down, and the competition has gotten horrendous. When I started in this business 18 years ago, there were maybe three or four big antiques shows a year - a few weekends ago there were five art fairs in Manhattan alone. This is too much for people to do... people are busier these days."

The future of art fairs, according to Smith, is in "smaller, specialty art fairs, which may have a smaller gate but a more intense, serious group of dealers". Among Smith's shows of this type are Modernism (art and Antiques from 1880-1980), the New York Print Fair, the Outsider Art Fair (self-taught and naive artists) and the first fair devoted to African-American artists and artefacts.

Whether art fairs are the future for the private dealer or not, one thing remains a constant, according to Green: "The market's not all that different today than it was 35 years ago. Pictures were as difficult to sell then as they are today."

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James Morgan

Why can't the British play the game?

Most of Britain's troubles with its partners stem from a failure to work the system

The headline in *Der Standard* of Vienna set one thinking. "Cheap petrol lures Austrians abroad", it said. They were, it seems, buying more than \$500m-worth of the stuff every year in Slovenia and Hungary. Once these buyers cross the border they stack up on cigarettes and other goods which nearly doubles the loss to the Austrian retail system.

Europe is full of such little events which admirably confirm Adam Smith's thesis regarding the hidden hand. Hidden hands at Dover drive vans on to Cross-Channel ferries to buy fizzy Alsatian beer.

Others go to the petrol stations which now indicate that one has

crossed from France into Luxembourg. A decade or so ago the British were immensely concerned about such matters, but in contradictory ways. While Nigel Lawson, then chancellor, argued for tax harmonisation through competition - low indirect taxes would prevail as in Britain because they would attract cross-border trade - industrialists were hatching about the lack of "a level playing field". They were, allegedly, severely handicapped because cunning foreign governments showered favours on their businessmen.

Neither view is heard today. British indirect taxes have risen rapidly because income tax has

been cut sharply. And British industrialists have found that the playing field tilts sharply in their favour thanks to low social charges and currency depreciation.

Today, any attempt by Brussels to level things up is seen as gross interference in the domestic affairs of a sovereign nation. Sovereignty means that a British employer can tell his workers how long they should work and ensures there is no minimum to the wages he may pay them.

In the face of such advantages it is not surprising that the boot is on the other foot now that the goal posts have been moved across the playing field.

The continentals complain of

the advantages enjoyed by the British. The flashy but minor accessories they achieve in redressing the balance then outrages Britons who are more convinced than ever that wicked foreigners are out to get them. And so they fail to exploit the loopholes that masquerade as regulation on the continent.

Most of Britain's troubles in its relations with its partners stem from a failure to work the system. Thus there has been a tremendous fuss about the punishment it might face for having an excessive budget deficit under the rules of the so-called stability pact which should be finalised this week.

But of course there is no

chance of this happening in reality, and not because of legal niceties. Fines will inevitably be discretionary and so will not be paid. *Die Zeit* recently quoted the admirably precise remarks of the Bundesbank spokesman, Manfred Korb, on this matter: "When voting on fines, sinners will sit together. They will look over their cards as if in a game of poker and think, 'I'll need you in future, and him too...' and so nothing will happen."

So the stability pact is another bogus nightmare the British believe in. The idea that a French finance minister would vote to impose a fine on Germany in the event of Chancellor Kohl having authorised a bit of

overspending on social welfare or new weaponry is ludicrous. The British should accept all those dismal rules designed to make Europe uniform. They should then follow what might be termed the Flushing Solution. Fishermen on the Dutch port of Vlissingen, or Flushing, regularly catch too many fish. They are fined once their catch is sold. Three weeks later they appeal and the fines are revoked.

Why cannot the British interpret the rules in such a manner as to ensure that Europe remains the diverse grouping of free and independent states that we know and love, or hate, today?

James Morgan is BBC World Service economics correspondent.

Peter Aspden Water on the brain



Nine-tenths of the British population spends its spare time in my local swimming pool to keep fit. I sat and watched them once from the side of the pool, having spontaneously decided that life was too short to join their absurd puffing and slurring, and a sorry sight it was.

The saddest thing was that no one was doing the one stroke that really makes an art out of swimming. I am not referring to the breaststroke, that pathetic little paddle which burns up about as many calories as changing gear in a traffic jam; nor the backstroke, a silly affectation that demands double-jointed shoulders and an improbably secure sense of direction.

Nor even the crawl, that inelegant movement which forces bizarre asymmetric jerks of the head out of the water to take in air. There is only one stroke which combines power, speed, grace, athleticism and - unless you are its master - regular mouthfuls of chlorine: the poetically named, exquisitely refined, bystander-impressing butterfly.

The butterfly is the Ferrari Testarossa of swimming strokes. If it had a colour, it would be bright red. It makes no apologies for itself: it is powerful, aggressive, shamelessly ostentatious. I had attempted in the summer to try it out, late in the evening on a remote beach with nobody looking. But it is not a thing you "just try out".

The smooth double kick on each stroke; the violent windmill action of the arms; the graceful

emergence of the head from the water, creating a sinuous movement that puts you at one with the dolphin kingdom: these are not the stuff of casual experimentation. My first efforts put me at one with the urchins on the sea bed; subsequent attempts filled my nose, mouth, throat, lungs with water.

I came back from my summer holiday determined to end the humiliation. What was needed was a strict training regime, a fresh mental approach and one of those tough Australian coaches who bark from the side of the pool. I found him after responding to a small ad, and despite his sounding unpromisingly polite, I decided he was the man to change my life.

Our first exercise was called The Man From Atlantis. It demanded my lying face down in the water and wriggling about while I exhaled bubbles through my nose. It was based on a famous television series, of which I had never heard; all I knew was that Atlantis was an underwater city and right now I had had enough of underwater. But he told me to be patient.

Soon, I began to "put the stroke together", bit by bit. The kick, the whirling arms, the breathing: it all began to make sense. Now I just had to do it all at the same time. My coach singularly refused to bark, preferring gentle encouragement as a technique. I was trying too hard; let's try a length or two of breaststroke (ugh - more humiliation) to take my mind off things.

Finally, one day, it clicked. I wish I could pin down how and why, but it is a mystical thing, this communion with the dolphins. I was on another spiritual level from anyone else in the pool. I undulated, and it felt good.

Only one problem remained: the nine-tenths of the British population who splashed ineffectually in my local pool. But I finally found a way of dealing with them too. This really works: first, get there early, lumber up, do your stretches, and gently ease down into the fast lane of the pool.

Second, wait for a happy punter to arrive, and watch as he or she looks for a lane in which to start swimming. Your lane looks tempting, for only you are in it; he or she heads for it, looking forward to a relaxing session.

Third, launch yourself into the water and do a length of butterfly with much vehemence. You will create a tidal wave, and some poolside commotion, but no matter, for no one will want to join you in your mad, anti-social flailing. At the end of your length, stand up and look enigmatic. It is a dolphin thing.

Lunch with the FT

The man who grows grains of truth

Edward Luce asks Dr Super-rice whether his breeding and eating habits can save the world

Surrounded by lush paddy fields and dreamy, Asiatic hills, it would be hard to match this idyllic setting with the global effort to avert what some fear will be a Malthusian disaster of overpopulation and starvation. Situated next to Los Banos, a sleepy Philippine town known for its healing springs and quiet hospitality, the International Rice Research Institute is more like an Anglican mission than a world-renowned academic centre.

Yet IRR and, more specifically, Dr Gurdev Khush (known locally as Dr Super-Rice), winner of the 1986 World Food Prize and probably the foremost expert on the genetics of rice, are crucial to the race to improve crop yields to feed the world's expanding population. Dressed casually and chancing a shy smile, the eminent Punjabi seemed at home against the institute's relaxing backdrop.

"Shall we have a spot of lunch before we talk?" he said gesturing towards the IRR dining hall. "I think you'll like the rice we serve here." As head of the team which developed IR8 and IR64 - the rice strains which helped boost Asian yields in the 1970s and 1980s and went down in genetic history as the staple portion of the "Green Revolution" - the head of IRR's plant breeding division promised to be an intriguing lunch partner.

As an unabashed consumer of large quantities of western stodge, I stood ready to argue the case for potatoes over rice. It came as something of a shock, therefore, to learn that Khush was more partial to wheat than the subject of his labours.

"As children in Punjab, our staple was mostly bread," he said slurping cheerily through the institute's cream of celery soup. "Punjabis eat the most delicious bread though I like Dosa (south Indian rice bread) and of course we eat rice at home at least three times a week nowadays."

Not many academics take their work home to eat in the evenings. Perhaps more should. But



Dr Gurdev Khush is happy to take his work home to eat, his favourite rice dishes being Rice Krispies and rice pudding

only a handful, including Khush, who has sampled many of the 72,000 hybrids he has helped develop since 1967, would claim actually to enjoy the experience. "My wife, Harwant, is very good at testing the texture and evenness of the grain and she can also tell me how convenient it is to cook. These matters are very important to our research."

As the soup bowls were cleared, Khush decided to take me into his confidence. "If I were forced to choose between indica rice and Japonica rice [the two generic strains, the former long-grain, the latter, short] I would definitely opt for indica," he said discreetly. "Japonica tends to be rather sticky and it lacks fragrance. Basmati rice, on the other hand, has a very appetising fragrance."

The main course - battered-fried pork, boiled peas and suspiciously glutinous-looking rice - was placed before us. "Of course as an Indian it is an entirely subjective view," he continued. "I am sure cultural and social factors come into play. If I were Korean or Japanese I would probably prefer the short-grain varieties."

My eyes kept returning to the plate. Rice was beginning to appeal as a subject matter and as a meal. The professor followed my gaze. "Now this, of course, is a short grain rice but it was grown in an indica plant," he said, indicating with his fork. "We call it IR841. It is a delicious rice but it has never left IRR because the plant is too low-yielding. We grow it for our own consumption because we enjoy eating it."

I chose to swim with the tide and decided that this was no ordinary starch. My palate was genuinely tickled. "On a scale out of 10 I would give this eight or nine," said Khush, masticating happily. "Its texture, its colour, its nutritious content and above all its taste are of a very high quality."

Khush looked wistful. I remembered there were more important aspects to the grain than its culinary merits. I asked him about

Lester Brown, a well-known Malthusian and a professor at the Worldwatch Institute in Washington and Jeremiah or Cassandra of looming famine, depending on your point of view. The reply was characteristically diplomatic.

"Perhaps Mr Brown exaggerated a little, perhaps not. I prefer to think of his warnings as a wake-up call. We are facing very daunting problems and not enough people understand the urgency of the situation." This year, for example, IRR's budget has been heavily cut by the government donors it chiefly relies on.

I reminded Khush that in the early 1970s the Club of Rome had warned that by 1990 a Malthusian population explosion would have

sparked dire global food shortages. Armageddon, however, had largely failed to materialise. Khush seemed unfazed. "Perhaps it was because we took those warnings seriously that we managed to succeed in the green revolution," he said calmly.

"In the 1970s and 1980s rice productivity increased by almost 4 per cent a year while population growth was about 1.8 per cent. In the 1990s Asia's population is still growing by 1.8 per cent but rice production is increasing by only 1.5 per cent. You don't need to be a mathematician to work out the implications. This time, however, we are also up against water shortages and decreasing land supply. In short, we need another green revolution."

Which brought the conversation neatly to the question I had most wanted to ask - how close was he to developing the next generation of super-rice? The 61-year-old academic, who has five years left of his tenure as Mr Super-rice, is striving to repeat the unprecedented breakthroughs which led to the high-yielding hybrids of the green revolution. Back then - and with the help of improvements in irrigation - IR64 and its cousins boosted output by up to 300 per cent in some parts of Asia. IR64 is now cultivated on more than 8m hectares - roughly equivalent to the size of Indonesia. "I don't think we can develop another IR64 or IR72. What we are aiming for is to find a strain which will

Truth of the Matter

A sign that 'community' has had its day

Recommending yourself to posterity in terms of your employer now seems a quaint tradition, writes Tony Jackson

One of the quietest and most agreeable retreats in the City of London is a small park just north of London Wall. Much of its charm lies in the contrast with its surroundings, for London Wall itself is a noisy dual carriageway, lined with 1960s architecture of vintage ugliness.

In a corner of the park, between a fragment of the medieval city wall and a duck pond, stands a handsome lime tree. It was planted in 1979, according to a plaque at its foot, by a Mr so-and-so of Phillips & Drew.

Now, here is a voice from the past: a City worker, recommending himself to posterity in terms of his employer. These days, the idea seems so quaint as to deserve explanation.

Back in the 1970s, the stock-broking firm of Phillips & Drew was a venerable City institution.

Like other broking firms of the day, it could offer long-term employment and the chance of a partnership. Then came Big Bang, and Phillips & Drew was absorbed into a Swiss bank. Most of its partners retired early on their winnings.

Contrast the City of today. In the post-Big Bang world, stock-brokers are in a state of perpetual flux. At any time, they may receive a compelling offer from a rival firm; either that or the black bag, which is the City term for redundancy. Identifying themselves permanently with any given firm would strike them as bizarre. You might as well put up a plaque with your rented address on it.

Indeed, few would identify themselves permanently as stock-brokers. No one can be sure of surviving in the City much beyond the age of 40. It is a

young person's game: a phase in one's career, not the career itself. It was not always so. The park in which the lime tree stands is named after the building next to it: Barber-Surgeons' Hall. The City is full of such halls, homes to the medieval guilds, or livery companies. Today, many are little more than dining clubs. But their members carry the names of London's antique professions: cutlers and carmen, tilers and plasterers, blacksmiths and weavers.

It is not so long since Londoners were identified by their jobs even in death. Southwark, where the FT has its headquarters, was once a centre for the brewing industry. Hence the curious bronze plaque in Borough High Street, just south of London Bridge, commemorating 33 "men of the London hop trade" who died in the first world war.

The passing of this tradition - a sense of being rooted in a job or profession - has a good deal to answer for. It has become a cliché of the 1990s to talk about job insecurity. It is equally a cliché for economists to say this is irrational, that according to the data, people on average stay as long in their jobs as they ever did. But that is beside the point. What is new is not the fact of impermanence, but the sense that permanence is somehow unnatural. No one, we are told, has a job for life. Even if you end up possessing one, you will have the nagging feeling that something is wrong.

What has changed has less to do with security than individualism. The man who puts up a plaque with his company's name on it does so in a spirit of community. The company represents not just a pay cheque, but a

group of people with a shared history.

All the pressure is now all the other way. Employers urge their staff to think of themselves not as permanent fixtures, but birds of passage. The company cannot promise you employment, just employability. Do a good job, and if the company does not want you, someone else will.

It seems implausible that this kind of individualism can last for ever. The great majority of people are not highly paid, rootless professionals, connected to their peers by a wireless modem and an airline ticket. Nor are they self-sufficient enough to get by without a sense of society and continuity. If employers cannot offer that, so much the worse, in the long run, for the employee.

And if people cease to regard their jobs as worth recording, so much the worse for London.

Today's workers are surrounded by memorials to their predecessors: street names, pub signs, the now defunct markets of Covent Garden and Billingsgate.

In the heart of the City, close to St Paul's cathedral, is a pub with the baffling name of the Dandy Roll. Though few of its clientele could tell you so, a dandy roll is an obscure gadget used in making paper. The pub is so called because until 20 years ago, the building round the corner was the headquarters of one of Britain's highest paper makers, Wiggins Teape.

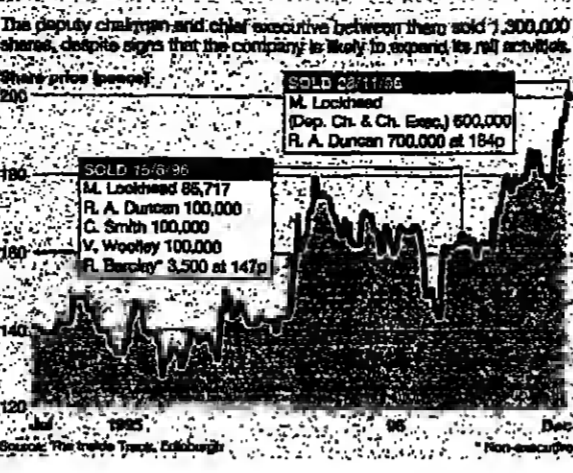
The company moved on, but the name remains. As it happens, the pub stands in Bread Street, which in the Middle Ages was the centre of the baking trade. One way or another, the world of work has a curious durability. Perhaps the Phillips & Drew man had history on his side after all.

JAN 10 1997

Last week's preliminary results

Table with columns: Company, Sector, Date, Price, Change, Market Movement. Lists various companies like Anglo, BHP, British Airways, etc.

FirstBus



The deputy chairman and chief executive... The company is ready to return to full production...

Company share prices

Table listing various companies and their share prices, including Anglo, BHP, British Airways, etc.

In the Pink

An investment strategy that makes sound sense

John Train details a simple and enormously popular formula for achieving stock market success

John Train is chairman of Montrose Advisers, an investment manager in New York City. It seems also to be a fact that the very best gain in a typical year comes not from owning the lowest-priced of the five lowest-priced high-yielders but from owning the single second lowest-priced among the 10, all by itself.

From time to time, I have reported on a simple and successful method of prospering in the US stock market. It should work in theory and, mirabile dictu, it does work in practice. Briefly: each year, you buy the 10 highest-yielding stocks among the 30 that make up the Dow Jones Industrial Average.

At this point, you have lost some diversification. Still, a portfolio consisting of five of these enormous enterprises, each one containing many divisions larger than normal-sized companies and all with world-wide operations, is more diversified than a portfolio of 20 or 30 smaller companies.

New issues

There was a bonanza for employees of Kier Group, Britain's largest unquoted construction company, this week, writes Christopher Price. The price of 170p a share giving the group at \$23.6m, giving employees who participated in a buy-out from Hanson four years ago, a tenfold increase in their investment.

Rights issues: Fisher (A) is to raise £27.4m via a 1-1 rights issue of 24m shares @ 120p.

Offers for sale, mergers & acquisitions: Aquacore is to raise £10m via a full listing on the stock exchange and not an AIM listing as stated last week.

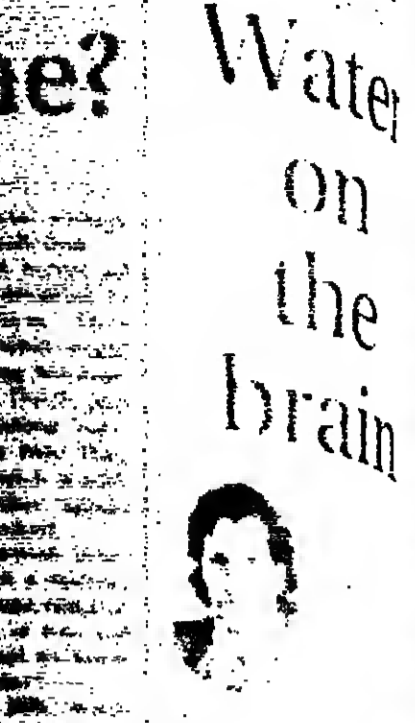
Last week's interim results

Table with columns: Company, Sector, Date, Price, Change, Market Movement. Lists various companies like Abbeybank, Abstract Com, Acet, etc.

Results due next week

Table with columns: Company, Sector, Date, Amount, Last year's interim, Dividend by First, This year's interim. Lists companies like AP Group, Airports, Alkerm, etc.

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Water on the brain. Advertisement text for a health product.

Weekend Investor

Wall Street

Reasons enough to be fearful

It is no great surprise that Alan Greenspan is worried, says Tracy Corrigan

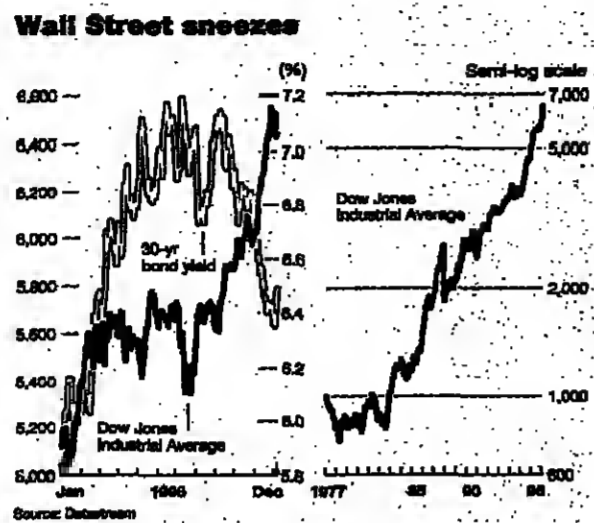
Just mentioning excessive valuations is enough to send a shudder through the world's stock markets these days - at least if the speaker is Alan Greenspan, the US Federal Reserve Chairman. In a speech on Thursday, Greenspan simply asked: "How do we know when irrational exuberance has unduly escalated asset values?" Still, it is an issue he would be unlikely to raise did he not have some concern that such exuberance exists. And he did say that evaluating market movements is part of the process of making monetary policy.

It is no surprise that Mr Greenspan is worried. Nearly everybody else is too. Valuations by most measures are looking expensive by historical standards, and dividends are low. Furthermore, there are concerns about the level of leveraged investment by hedge funds, which could unravel rapidly in a downturn, as it did in 1994's mini-crash.

And Greenspan's expression of concern, however opaque, raises a spectre for the financial markets: is the Fed considering raising rates in order to quash some of the market's exuberance? In fact, most analysts consider this unlikely, given increasing signs that the US economy is weakening. Nevertheless, the market does have reason to be fearful.

"It is difficult to be positive when the single most powerful man in the market says it looks overvalued," said John Manley, equity strategist at Smith Barney. However, he draws some comfort from the market's willingness to adjust rapidly to bearish indications. "The market is doing what you want it to do: when it's told it's too high, it purges the excess. Once that is over, it is still a buying opportunity," Manley believes.

Indeed, traders were reporting orderly selling yesterday, with no signs of panic in the market. "Individual investors seem to be taking this with a grain of salt," said an official at Charles Schwab, the largest of the discount brokerages. However, there may be a more permanent shift in market sentiment. "It may no longer be the case that bad news is good news," argues Manley, referring to



the market's tendency this year to rise on weak economic data because of hopes that the Fed would be forced to cut rates further, buying stock and bond prices. It remains to be seen whether such a change in sentiment would halt the flow of money into mutual funds, which has been a driving force of the bull market.

Even though the Fed may not feel able to raise rates to dampen market excesses and curb inflationary pressures, given the signs of a weaker economic environment, this does not preclude a tightening of monetary conditions. "There are two ways of tightening: one is to raise rates in a buoyant economy and the other is not to cut rates in a weakening economy."

Earlier this week, the Fed's failure to add liquidity in its market operations, as the market was expecting, suggested that it may be willing to see market rates drift higher, without an official rate rise, according to analysts.

However, there are other reasons to worry, besides the Fed's behaviour. Some analysts are becoming increasingly concerned about the outlook for corporate earnings next year, after several years of impressive growth. The earnings of corporate America, up more than 10 per cent by most analysts' estimates this year, could be flat next year, according to Michael Metz, chief investment officer at Oppenheimer. "Wage costs are rising and productivity is falling, caus-

London

Bang went Greenspan's gun

And Footsie fell down, reports Philip Coggan

If pathologists decide that the bull market died yesterday, there will be no mystery as to whodunnit. Standing over the body, smoking gun in hand, stands the figure of Alan Greenspan, chairman of the US Federal Reserve.

His comments that the Fed must be wary when "irrational exuberance" infects asset markets sparked a sell-off in US Treasury bonds which spread to Far Eastern equity markets and to London when it opened. That ended a period when the FTSE 100 index had looked like passing its closing all-time high of 4,073.1 which it reached on October 21. Yesterday, Footsie was 168.5 points down at one stage, and even a partial rebound left it 88.3 points lower.

The US market started sharply lower yesterday, although losses were limited by employment data which was interpreted as being benign for the US

inflationary outlook.

UK investors have been worried about Wall Street for some time, although the Dow Jones Industrial Average confounded the doubters by climbing from 8,000 to 6,500 in six weeks. The threat behind Greenspan's comments is that the Fed might raise rates to dampen that "irrational exuberance" in US bond and equity markets and cause a ripple effect around the world.

Low interest rates have been one of the spurts to the long bull market and, as in 1994 when the Fed started the process of doubling US rates, markets can be caught out when the cycle turns.

Obviously, higher rates make it more attractive for investors to hold cash and increase the borrowing costs of corporations. But low rates also encourage investors to borrow money to speculate in the markets; when rates start to rise, they rush to sell their leveraged

positions, causing prices to fall sharply.

Before yesterday, the week had been going fairly well. European markets were lifted by hopes that continental central banks would cut interest rates to revive their stagnant economies and give the process of currency union a helpful push.

The pound's rally came to an abrupt halt after an impressive run which had carried the currency up to DM2.64, within 14 pence of its old exchange rate mechanism floor of DM2.778.

Currencies rarely rise in a straight line, but the pound's decline was hastened by some emboldened comments to a parliamentary committee from Eddie George, governor of the Bank of England, which seemed to play down the extent of his demands for interest rate rises to combat inflationary pressures. The expectation of UK interest rate rises, at a time when rates in most countries are



It was no whodunnit: Alan Greenspan is the guilty man

stable or falling, had been one of the main factors pushing the pound higher.

A neat Catch-22 could yet emerge here. A rise in the pound itself acts to combat inflation by bearing down on import prices. So, all things being equal, the more the pound rises, the less base rates need to rise to head off inflation.

But if rates do not rise, the pound will fall back. It will not act as a drag on import prices and thus the government might need to raise rates after all, pushing sterling back up. And so on.

Nevertheless, the pound's retreat gave a modest lift to shares, although the effect was masked by the week's setbacks on Wall Street. Even before Greenspan's comments, the Dow had recorded an 80-point decline on Wednesday.

The strain imposed on UK companies by the rise in the pound was starting to show. A number of companies, including media group Dorling Kindersley and the mail order group GUS, warned that the recent strength of sterling was liable to hit profits.

Sterling's strength also was a factor behind sharp share price declines at Racal Electronics and Reed International. Racal's warning, just a day before its interim results, knocked 18 per cent off the shares and angered investors.

Reed's shares fell 5 per cent after a statement which was confident about the outlook for the year but noted

that the recent marked strengthening of sterling would reverse a headline 2 per cent profit gain in the first half. Analysts elated their profits estimates accordingly.

That added to an earlier clutch of profits warnings from smaller companies - Crown Products, Forward Group, Hawtill Whiting and High-Potat - adding to the recent trend of bad news from that sector.

Analysts still expect corporate profits to rise in 1997, and the recent signs of economic strength should certainly give earnings a lift. But while profits growth might be expected to help markets, rising interest rates often cause a fall in the multiple (the price-earnings ratio) which investors attach to those profits. On Thursday, the FT Non-Financials index was trading on a p/e of just under 18, leaving scope for a decline (the 10-year average is 15.5).

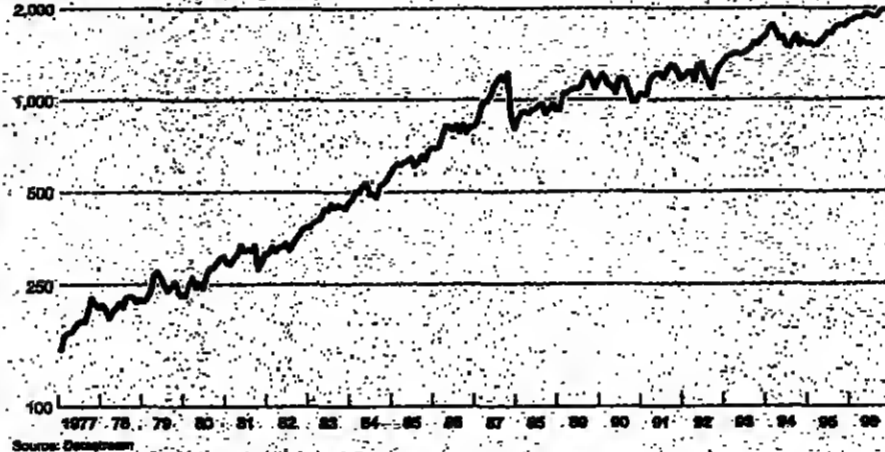
In theory, shares should have a cushion because the long gilt-equity yield ratio dropped below 2 this week, normally a sign that shares are cheap. Of course, another way of looking at the ratio is to say that gilts are expensive.

Charist Brian Marber has been predicting a setback in London and New York and says: "What the chart is saying something strongly, the fundamentals come along to prove it." He predicts Footsie will fall by around 17 per cent from its high (that is, to 3,380) by February.

Blow to Racal: Page 5

End of a long run?

FTSE All-Share Index (semi-log scale)



Highlights of the week

| | Price | Change | 52 week | 52 week | |
|--------------------|--------|---------|---------|---------|------------------------------------|
| | Index | on week | High | Low | |
| FTSE 100 Index | 3968.0 | -85.0 | 4073.1 | 3578.9 | Greenspan comments |
| FTSE 250 Index | 4349.1 | -80.4 | 4588.8 | 4015.3 | Macro-economic concerns |
| American Int | 1115 | -18.4 | 1177.4 | 818 | Buying ahead of figures |
| Airbus | 177.4 | -1.2 | 177.4 | 128 | Agreed bid |
| BT | 297 | -1.8 | 402.4 | 320.6 | Favourable comment |
| Faber Plast | 380 | -3.2 | 570 | 290 | Positive comment on figures |
| Q1 Universal Store | 828.4 | -60.4 | 770 | 581.4 | Cautious trading statement |
| Guinness | 282 | - | 282 | 218 | Market correction |
| Ladbrokes | 209.4 | -4.4 | 218 | 143 | National Lottery rise |
| Logica | 282 | -5.4 | 369 | 452 | Acquisition |
| LucasVarity | 228 | -20.4 | 282 | 172 | Valued profits warning |
| Reed International | 1978.4 | -78 | 1280 | 954 | Warning on margins |
| Sieff | 971 | -27.1 | 1016.4 | 750 | Figures at top end of expectations |
| Southern Electric | 781.4 | -50 | 810 | 607 | Takeover hopes |
| Standard Chartered | 682.4 | -12 | 728.4 | 542 | Greenspan comments |

Dow Jones Ind Average

| | | |
|-----------|----------|--------|
| Monday | 6,521.70 | same |
| Tuesday | 6,442.86 | -70.01 |
| Wednesday | 6,477.94 | -18.75 |
| Thursday | 6,437.10 | +14.16 |
| Friday | | |



Barry Riley

An excess of exuberance

Heave to and stand by for another shot across the bows

Some - including, it would seem, the US Federal Reserve Board chairman Alan Greenspan - say this is becoming a dangerous bull market. Certainly it has become a very extended one. But perceptions of its strength vary considerably. The UK market, as measured by the All-Share Index, was up by under 10 per cent this year even before yesterday's writedowns. It has scarcely amounted to a reckless boom.

The World Index in sterling terms has risen by less than 5 per cent, partly because sterling itself has appreciated. A French investor, measuring his portfolio's progress in francs, thinks the World Index has climbed by more like 20 per cent. And although Continental European markets have performed well this year, Japan has repeatedly disappointed.

equity portfolios in US stocks - so they have a vested interest in a Wall Street crash. The Fed chairman is doing them an unexpected favour.

The Dow Jones Average has climbed 20 per cent since July, and 25 per cent this year, despite this week's retraction from 8900-plus territory. Recently a group of big US blue chips has been scoring especially heavy gains. Before yesterday's mayhem, IBM had risen 76 per cent this year. Citicorp was up 87 per cent and Intel had more than doubled. Even now the Dow's cumulative gains over the past two extraordinary years extend to about 75 per cent. Not all US investors are feeling happy, however, because shareholders in smaller companies are feeling left out of most of the fun. The Russell 2000 Index, which reflects this area of the US market, has risen only 10 per cent in 1996 so far, and more to the point has yet to regain its early summer peak.

This relative weakness among small company stocks appears to be common to most of the world's stock markets. In the UK the FTSE SmallCap Index has also languished since June. The stock market's boom is thus clearly based upon the

potential of big companies to exploit global growth opportunities or, failing that, to add shareholder value through labour force downsizing, as we saw with NatWest Bank's plan this week to shed 10,000 jobs and LucasVarity's proposal to cut the payroll by 8,000.

All the same, if the US and UK markets are to trace out tops in the near future a final speculative advance by the small capitalisation stocks might be expected.

David Schwartz, the stock market historian, has already decided that the top is close. He points out in his stock market newsletter that seven out of eight US presidents elected for a second term have presided over a Wall Street bear market in the first year of these second periods. Such presidents, it is said, devote themselves to planning history rather than their citizens.

We may note that Greenspan has been

unleashed to attack Wall Street after, rather than before, the presidential election a month ago. Would not a touch on the tiller have been better timed in September?

Schwartz also points out that the Coppock indicator has accurately, with just one exception, flashed up warnings of decline in the UK market. According to Coppock the October peak of 4073.1 on the FTSE 100 index will turn out to have been the bull market high. Unfortunately, history does not repeat itself exactly. And it turns out that those exceptional cases were not buried in the distant past but concerned the start of Reagan's second term in 1985 and the bulk of the 1980s bull market, when the Coppock indicator went haywire. It is a fair assumption that old history is more likely to be bunk than new history.

Robin Griffiths, the charist at brokers James Capel, has traced this bull market very accurately all the way through, and his latest pre-Greenspan view was positive. The Dow could go to 7000 - another 10 per cent above the recent high - and the Footsie could trend upwards until after the UK's spring election.

Griffiths nevertheless thinks the markets will top out during 1997 - the Dow

perhaps as soon as January, the broader and small cap indices later. But he is not talking about a serious crash.

Now, however, we must take into account the intervention of Alan Greenspan. Nearly three years ago he triggered a collapse in the bond markets by raising interest rates. This time he appears to prefer to talk down the stock market rather than bludgeon it with a rate rise. But the markets have been getting around to the idea that the next move in dollar interest rates will be down and that must now be questionable. Confusingly, though, yesterday's US economic data turned out to be benign.

Better a little crash now than a big crash later? That is part of it, but the real message of Thursday night's bombshell is that the central bankers realise they can no longer engage in unprecedented volumes of intervention on the foreign exchanges without taking responsibility for the bubbles that may be blown up as a consequence in the securities markets.

As for a rate increase, if the shot across the bows does not work, no doubt the next will be aimed at the engine room.

S.A.E. to Burleigh Hall, Stroud, Glouce GL5

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Offshore managed funds and UK managed funds are listed in Section One

JAN 10 1997

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Authorised and Insurances

Main table containing financial data for various unit trusts and insurance policies, organized in columns with headers for fund names, prices, and other metrics.

Handwritten Arabic text at the top of the page.

Vertical text on the left side of the page, including 'man's gun' and 'ment Management'.

GUCCI timepieces advertisement featuring a watch image and the text 'FOR DEALS OF YOUR NEAREST STOCKS PLEASE CALL 0171 371 7795'.

OTHER UK UNIT TRUSTS

Table listing various UK unit trusts with columns for fund names, prices, and other details.

PROPERTY UNIT TRUSTS

Table listing property unit trusts with columns for fund names, prices, and other details.

INSURANCES

Table listing various insurance policies with columns for policy names, prices, and other details.

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LUXEMBOURG (SIB RECOGNISED)

Table listing various Luxembourg funds including categories like Absolute Return, Asian Growth, European Growth, Global Growth, and others. Columns include fund name, currency, and price.

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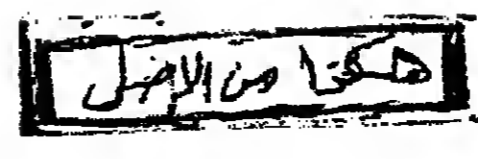
Table listing various Luxembourg funds including categories like Global Growth, Global Income, Global Bond, and others. Columns include fund name, currency, and price.

JAVICO LTD

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Main table listing various fund categories such as Global International, UK Equity, UK Fixed Income, and Offshore Funds. Each entry includes the fund name, its price, and other relevant details.



Mikimoto advertisement featuring a pearl necklace and the text 'A STYLISH ARRIVAL OF EXCEPTIONAL COLOURED PEARL EARRINGS AND NECKLACES SET IN 18K GOLD. MIKIMOTO 179 New Bond Street London W1Y 9PD Tel 0171 629 5300'.

OTHER OFFSHORE FUNDS

Table listing other offshore funds with columns for fund name, price, and other details.

MANAGED FUNDS NOTES: This section provides detailed information and disclaimers regarding the managed funds service, including a note about the fund's performance and the publisher's liability.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Dec 6 / US\$)

(In millions)

Table of stock prices for North America, including companies like Alcoa, Amgen, and various financial institutions.

EUROPE

NORTH (Dec 6 / £)

(In millions)

Table of stock prices for Europe, including companies like British Airways, British Petroleum, and various banks.

AFRICA

SOUTH AFRICA (Dec 6 / Rand)

(In millions)

Table of stock prices for Africa, including companies like Anglo American, De Beers, and various mining firms.

ASIA

HONG KONG (Dec 6 / HK\$)

(In millions)

Table of stock prices for Asia, including companies like HSBC, Citicorp, and various financial institutions.

INDICES

Dec 6 Dec 5 Dec 4 High 1996 Low

Table of market indices including Dow Jones, Nikkei, and various regional indices.

US INDICES

Dec 6 Dec 5 Dec 4 High 1996 Low

Table of US market indices including Dow Jones, S&P 500, and various sector indices.

NEW YORK STOCK EXCHANGE

Dec 6 Dec 5 Dec 4 High 1996 Low

Table of stock prices for the New York Stock Exchange, including various large-cap companies.

AMERICAN STOCK EXCHANGE

Dec 6 Dec 5 Dec 4 High 1996 Low

Table of stock prices for the American Stock Exchange, including various mid-cap companies.

NASDAQ

Dec 6 Dec 5 Dec 4 High 1996 Low

Table of stock prices for NASDAQ, including various technology and growth companies.

INDEX FUTURES

Open/Set Price Change High Low Est. Vol. Open Int.

Table of index futures prices for various markets including S&P 500, Nikkei, and others.

COMMODITIES

Dec 6 Dec 5 Dec 4 High 1996 Low

Table of commodity prices for various goods including oil, gold, and agricultural products.

CURRENCY

Dec 6 Dec 5 Dec 4 High 1996 Low

Table of currency exchange rates for various international currencies.

REUTERS

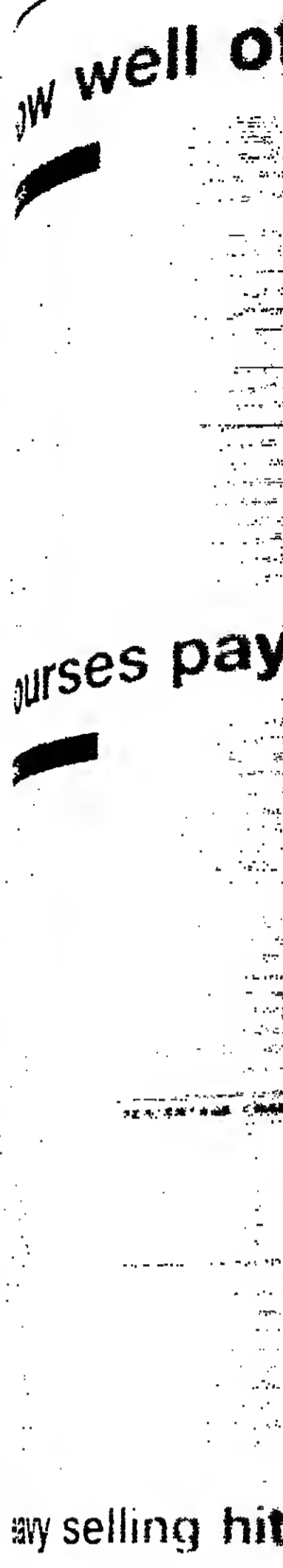
Dec 6 Dec 5 Dec 4 High 1996 Low

Table of stock prices for the Reuters market, including various international companies.

MARKET COMMENTARY

Textual analysis and commentary on the market performance, including mentions of 'Rockwell leads the world in integrated data/fax/voice modem products.'

Advertisement for Rockwell, featuring the text 'Rockwell leads the world in integrated data/fax/voice modem products.' and the Rockwell logo.



JAMES LISA

WORLD STOCK MARKETS

Dow well off lows at midsession A bitter combination spoils French party

Andrew Jack on the bourse that failed to peak

AMERICAS

US shares were sharply weaker at midsession, but well off their lows, after comments by Mr Alan Greenspan...

tumbled more than 17 points during the morning, was off 7.65 at 736.73. Trading was extremely active, with S&P shares changing hands on the NYSE.

close to being fairly valued now. The early sell-off was especially sharp among technology shares, which had been a leading factor in the leg of the rally that began last month.

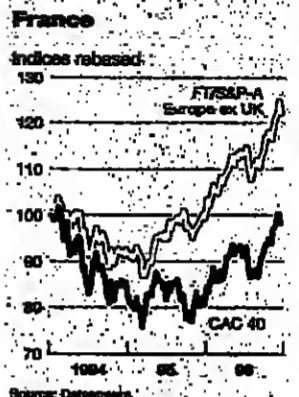
IBM, a component of the Dow and one of the driving forces behind gains on that index, lost 1 1/2%.

Corp eased 10 cents to C\$40.15. MEXICO CITY suffered the heaviest setback among senior Latin American bourses...

Just when the French stock market was preparing to crack open bottles of champagne this week in anticipation of record index levels, a bitter combination of events conspired to spoil the celebrations.

Mr David Harrington, French market analyst with HSBC-James Capel, says that the Thomson affair, not to mention the chaos during the road truckers' two-week strike which concluded last weekend, highlighted continued signs of weakness in the government, and could increase volatility in the face of a new round of speculation that Mr Alain Juppé, the prime minister, could be forced to resign.

However, he argues that the equities market, until now, has been relatively indifferent to the domestic situation. He says that the recent rally "has all been about the more positive developments in Europe, with the weakening of the Ecu basket of currencies relative to the dollar."



Bourses pay the price of projection

EUROPE

There were sidishows in the weakness of the dollar and bond markets, ameliorated in both cases by the US November jobs data; but the main event was the reaction of US equities to Mr Alan Greenspan's talk of "irrational exuberance" in asset markets.

Among other sensitive cyclical, Continental, the tyre company, fell DM1.18 or 4.1 per cent to DM27.27. Elsewhere, some banks reacted after Thursday's response to the Bundesbank's reduction of minimum reserve requirements; among these, Dresdner fell DM1.69 or 3.65 per cent to DM44.60.

Swiss Re dropped to an early low of SF1.341, but recovered to finish SF1.29 down at SF1.391 after the company forecast full year net profit to rise by significantly more than 10 per cent, excluding the acquisition of Prudential Corp's M & G Re.

Shares in Johannesburg were mixed with industrials skidding lower but golds continuing to gain from a better showing by the bullion prices.

Shares in Johannesburg were mixed with industrials skidding lower but golds continuing to gain from a better showing by the bullion prices.

The process had been criticised at several stages over the past few months, but nothing raised more concern than the justification given on Wednesday by the independent privatisation commission to block the government's own recommendation in favour of Lagadère.

PERCENTAGE CHANGES

Table with columns: Day, Week, Paris, Milan, Frankfurt, Zurich, Amsterdam, Stockholm.

FTSE Actuaries Share Indices

Table with columns: Day, Week, FTSE 100, FTSE 250, FTSE 1000.

THE EUROPEAN SERIES

Table with columns: Day, Week, DAX, CAC 40, Nikkei 225, Hang Seng, etc.

PERCENTAGE CHANGES

Table with columns: Day, Week, Tokyo, Hong Kong, Kuala Lumpur, Shanghai, Shenzhen.

SOUTH AFRICA

Shares in Johannesburg were mixed with industrials skidding lower but golds continuing to gain from a better showing by the bullion prices.

PERCENTAGE CHANGES

Table with columns: Day, Week, JSE 30, JSE 100, etc.

Heavy selling hits Tokyo blue chips

ASIA PACIFIC

Mr Greenspan's cold douche for global markets left TOKYO with its biggest single day loss this year, writes Gwen Robinson.

The Nikkei 225 average nosedived 667.20 to 20,776.70 after moving between 20,171.69 and 21,001.90. The loss easily topped the year's record plunge of 632.66, posted on July 24.

Traders noted near-panic sales of most blue chips by securities houses, domestic institutions and foreign investors, following Mr Greenspan's comments on US financial asset prices.

Interest rate sensitive property and banking stocks saw the biggest decline. Henderson Land dropped HK\$2.50 to HK\$76.00, and HSCB Holdings slumped HK\$4.00 to HK\$38.00.

PERCENTAGE CHANGES

Table with columns: Day, Week, Tokyo, Hong Kong, Kuala Lumpur, Shanghai, Shenzhen.

FTS&P ACTUARIES WORLD INDICES

Table with columns: Index, % chg, % chg, % chg, % chg.

PERCENTAGE CHANGES

Table with columns: Day, Week, JSE 30, JSE 100, etc.

PERCENTAGE CHANGES

Table with columns: Day, Week, JSE 30, JSE 100, etc.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Table with columns: Option, Call, Put, etc.

RISERS AND FALLS

Table with columns: British Funds, Other Funds, etc.

TRADITIONAL OPTIONS

Table with columns: First Dealings, Nov 25 Expiry, Dec 8 Settlement.

LONDON RECENT ISSUES: EQUITIES

Table with columns: Issue, Amt, Mkt, Price, etc.

RIGHTS OFFERS

Table with columns: Issue, Amount, Latest price, etc.

FT 30 INDEX

Table with columns: FT 30, Ord. chg, P/E ratio, etc.

TRADEPOINT INVESTMENT EXCHANGE

Table with columns: SEAO, Equity, Shares, etc.

FT 30 HEAVILY SHORTED

Table with columns: Open, High, Low, etc.

SEAO

Table with columns: SEAO, Equity, Shares, etc.

TRADEPOINT INVESTMENT EXCHANGE

Table with columns: SEAO, Equity, Shares, etc.

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LONDON STOCK EXCHANGE

Greenspan speech triggers big market slide

MARKETS REPORT By Steve Thompson, UK Stock Market Editor

A veiled warning from Mr Alan Greenspan, chairman of the US Federal Reserve, of "irrational exuberance" in financial markets hit global markets like a thunderbolt yesterday, and produced the biggest one-day fall in the FTSE 100 index since June 1994.

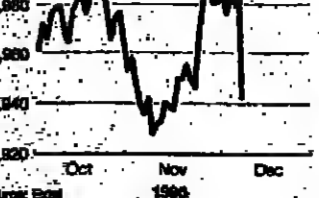
Trading sessions for many months, the FTSE 100 index was left nursing a loss of 88.2 points, or 2.2 per cent, at 3,963. The weakness in the leaders was also seen by the FTSE 250 index, which fell 87.7, or 2 per cent and the FTSE SmallCap which dropped 34.1, or 1.5 per cent, to 2,132.8.

Footsie's closing fall was almost half its earlier decline of 183.5 points, amid fears that the Dow Jones Industrial Average would open with a loss of more than 250 points.

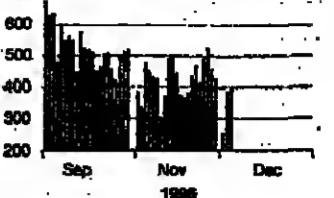
Despite the afternoon rally, marketmakers are still expecting a further bout of turbulence next week as the market contemplates trading volumes for many months, the FTSE 100 index was left nursing a loss of 88.2 points, or 2.2 per cent, at 3,963.

with the continuing political uncertainty. "The big bear hit will come on Monday after all those fund managers have read the Sunday newspapers; they'll be cringing at the prospect of another slide," said the head of sales at one big London broker.

FTSE All-Share Index



Equity shares traded



Indices and ratios table with columns for Index, Value, and Change.

FTSE 100 Index table with columns for Index, Value, and Change.

TRADING VOLUME IN MAJOR STOCKS

Table listing trading volume for various major stocks including ASDA Group, Abbey National, and others.

EQUITY FUTURES AND OPTIONS TRADING

Table showing equity futures and options trading data for FTSE 100, FTSE 250, and FTSE 100 Index Options.

Far East banks targeted

By Peter John, Joel Kibazo and Edward Martin. Banks with exposure to East Asia led the London market down yesterday as they responded to the sharp falls in Hong Kong and Tokyo markets.

CHIEF PRICE CHANGES YESTERDAY

Table listing price changes for various companies like BT, Faber, and others.

NEW 52 WEEK HIGHS AND LOWS

Table listing 52-week high and low prices for various companies.

Hourly movements

Table showing hourly movements for FTSE 100, FTSE 250, and FTSE 350.

FTSE 350 Industry baskets

Table showing performance of various industry baskets.

FTSE Actuaries Share Indices

Table showing FTSE Actuaries Share Indices for various sectors like Insurance, Pharmaceuticals, etc.

FTSE - LEADERS & LAGGARDS

Table listing top performing and underperforming stocks.

FTSE Actuaries Share Indices

Table showing FTSE Actuaries Share Indices for various sectors like Insurance, Pharmaceuticals, etc.

BTR stands alone

Anglo Australian diversified industrial group BTR stood alone for most of the session as the only speck of blue after it staged an impressive recovery following publication of a positive trading update.

Recs bid raised

Electricity stocks received a boost after CE Electric of the US improved its offer for Northern Electric.

Rolls Royce won the dud

Rolls Royce won the dud of the week as the FTSE 100 performer in a plummeting market. The shares lost nearly 5 per cent of their value as they fell 12 1/2 to 228p.

Advertisement for Macmillan Cancer Relief, 'GIVE US A STAPLE'.

Advertisement for 'Need facts and figures in a hurry?'.

FTSE International logo and related information.

Advertisement for 'THE ALL ENGLAND LAWN TENNIS GROUND plc'.

Advertisement for Mitsui & Co., Ltd. and Medical Supplies.

Advertisement for 'THE ALL ENGLAND LAWN TENNIS GROUND plc'.

Advertisement for 'SWISS INDUSTRY AND TECHNOLOGY'.

Advertisement for 'Swiss Industry and Technology'.

هكنا من الامم

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for name, price, and change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for name, price, and change.

INVESTMENT COMPANIES

Table listing investment companies with columns for name, price, and change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for name, price, and change.

LIFE ASSURANCE - Cont.

Table listing life assurance companies with columns for name, price, and change.

MEDIA

Table listing media companies with columns for name, price, and change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for name, price, and change.

OTHER FINANCIAL

Table listing other financial companies with columns for name, price, and change.

PAPER, PACKAGING & PRINTING - Cont.

Table listing paper, packaging, and printing companies with columns for name, price, and change.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for name, price, and change.

PROPERTY

Table listing property companies with columns for name, price, and change.

PROPERTY - Cont.

Table listing property companies with columns for name, price, and change.

RETAILERS, GENERAL

Table listing general retailers with columns for name, price, and change.

SUPPORT SERVICES

Table listing support services companies with columns for name, price, and change.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for name, price, and change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for name, price, and change.

TEXTILES & APPAREL - Cont.

Table listing textiles and apparel companies with columns for name, price, and change.

TOBACCO

Table listing tobacco companies with columns for name, price, and change.

TRANSPORT

Table listing transport companies with columns for name, price, and change.

WATER

Table listing water companies with columns for name, price, and change.

AIM - Cont.

Table listing AIM companies with columns for name, price, and change.

AMERICANS

Table listing American companies with columns for name, price, and change.

CANADIANS

Table listing Canadian companies with columns for name, price, and change.

SOUTH AFRICANS

Table listing South African companies with columns for name, price, and change.

Advertisement for MAPPIN & WEBB featuring a silver corkscrew and the text 'START YOUR CHRISTMAS WITH A GRAND OPENING.'

Table listing various companies with columns for name, price, and change.

GUIDE TO LONDON SHARE SERVICE. Prices for the London Share Service are delivered by Eikon, part of Financial Times Information. Company identifications are based on those used for the FTSE Actuaries Share Index.

LEGAL DEFINITIONS
concert parties n. 1. a group of musicians typically involved in a large number of recordings...
Rowe & Maw
LAWYERS FOR BUSINESS

Heating Replacement
Parts and Controls Ltd. (trp)
No. 1 in heating system services.
WOLSELEY

Serbs give hint of climbdown

Protests force Milosevic rethink on elections dispute

By Laura Silber in Belgrade and Lionel Barber in Brussels

Serbia's regime showed signs of giving ground to the opposition yesterday after nearly three weeks of steadily growing street protests and international condemnation.

European Union foreign ministers, meeting in Brussels, stepped up their pressure on Belgrade by refusing to grant trade concessions which they have extended to other former Yugoslav republics.

But Mr Carl Bildt, the international community's high representative in Bosnia, told the EU ministers he could see "signs of light in the darkness" in the form of concessions by the Serbian authorities.

The Supreme Court agreed

yesterday to reconsider its earlier decision to cancel the opposition's victory in the Belgrade municipal election of November 17.

But Mr Zoran Djindjic, president of the opposition Democratic party, made clear his supporters would continue mass demonstrations until local election victories in a string of Serbian cities were fully restored. Opposition leaders were pessimistic about the chances of an early compromise with President Slobodan Milosevic, noting that the regime had summoned extra police to Belgrade in an apparent sign that it had not ruled out the use of force.

"There will be no compromise. We will not give up until everything is given back to

us," said Mr Djindjic, who has been elected as the first non-communist mayor of Belgrade since the second world war.

Western diplomats in Belgrade said Mr Milosevic had signalled to them his keenness to make a gesture that would stem the street demonstrations, which have attracted crowds of up to 100,000.

The president's power base showed further signs of eroding yesterday when Mr Aleksandar Tjancic, the information minister, resigned over state media censorship.

The republic of Montenegro, until now Serbia's loyal partner in the rump state of Yugoslavia, denounced as "absolutely undemocratic" the behaviour of Mr Milosevic in seeking to reverse local elec-

tion results. But the Serbian leader, who rose to power on a nationalist platform in 1987 and later backed the Serb rebellions in Croatia and Bosnia, remained in control of the main levers of power, including the police and most media.

Mr Bildt described as "significant" the fact that the regime had drawn back from completely suppressing Belgrade's independent media.

Meanwhile, the EU's Irish presidency prepared a strongly worded statement which called on the Serb president to abide by the election results and stop censoring the media.

Mr Klaus Kinkel, German foreign minister, said Mr Milosevic "is no longer Serbia," adding: "We can manage without him."

Oil groups agree deal for Caspian pipeline project

By Chrystia Freeland in Moscow and Sander Theones in Almaty

Nine oil and gas companies and three governments yesterday signed a long-awaited deal to go ahead with a \$2bn export pipeline linking Kazakhstan's oilfields to world markets.

The agreement brings companies, including Chevron, the US multinational, and Lukoil, Russia's most powerful oil concern, into the Caspian pipeline project. In exchange for a 50 per cent equity interest, they pledged to finance construction of the 1,500 km pipeline.

"This is a momentous occasion," said Mr Jeet Bindra, Chevron's senior vice-president for pipelines and transportation. "We have agreed to build a pipeline that will unlock the reserves of the Caspian region."

The restructuring deal, which paves the way for a share acquisition expected to take place by early February,

is an important milestone in the often turbulent evolution of the Caspian Pipeline Consortium.

The consortium was founded in 1992 by the governments of Russia, Kazakhstan and Oman, but Chevron, the pipeline's main potential client, refused to join unless Oman cut its stake to reflect its limited investment.

Participants hope yesterday's agreement, the result of seven months of negotiations, will clear the way for construction to begin next year, allowing the pipeline to be completed in 1998.

But until the last minute, the agreement appeared mired in the disputes which are an unavoidable part of doing business in the former Soviet Union.

The signing ceremony itself was delayed for a few hours, when Russian government officials decided they needed the final personal approval of Mr Victor Chernomyrdin, the Rus-

sian prime minister, for the deal.

One of the most contentious issues, yet to be resolved, has been the role of Transneft, the Russian pipeline operator which has been pressing for an equity stake in the consortium.

Chevron officials said that if Transneft was given a stake they would insist the Russian company was excluded from voting on some issues because of the conflict of interest it would face as an operator and stakeholder.

The equity interest in the Caspian Pipeline Consortium will be allocated as follows: Russia, 24 per cent; Kazakhstan, 19 per cent; Oman, 7 per cent; Chevron, 15 per cent; Lukoil, 12.5 per cent; Rosneft-Shell, 7.5 per cent; Mobil, 7.5 per cent; Agip, 2 per cent; British Gas, 2 per cent; Kazak Munaigas, 1.75 per cent; and Oryx, 1.75 per cent.

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sian prime minister, for the deal.

Major put at risk

Continued from Page 1

arithmetic would mean the government must surrender the automatic majority it enjoys on all Commons committees, including the one considering the Finance Bill, which implements the Budget.

Mr John Prescott, Labour's deputy leader, said there was unlikely to be an immediate vote of confidence in the government because Labour could not rely on the support of all the minority parties.

"You can rest assured we will take the first opportunity to get rid of this government," he said.

Mr John Goss said he felt health ministers had reneged on a deal to retain a full-time casualty unit at the hospital and that the remaining facility would be inadequate.

"I am today withdrawing my co-operation from the government and shall not treat the whip (party manager) as either a summons to attend the House of Commons, or as placing me under the obligation to vote as advised," he said.

Frantic day

Continued from Page 1

rate than was achieved in the first half of 1996.

The Dow's revival allowed European markets to rebound. Frankfurt finished 2.1 per cent lower, Paris lost 2.2 per cent and Amsterdam 1.5 per cent. In London, the Footsie closed with a loss of 82.2 points at 3,963.

Analysts said the markets may have read too much into Mr Greenspan's remarks.

US commentators viewed the equity sell-off as healthy given that the Dow had rallied more than 900 points since August. One said that in coming weeks the market should consolidate before resuming its upward trend.

NTT world expansion

Continued from Page 1

high of ¥861,000 before closing unchanged at ¥845,000. The Nikkei 225 index plunged nearly 3.2 per cent.

"The fact that they finally reached an agreement is good news because it removes a large regulatory overhang [from the shares]," said Mr Eric Gan, equity analyst at Salomon Brothers in Tokyo.

Mr Junichiro Miyazu, NTT president, was confident his company would be highly competitive internationally.

The restructuring comes 14 years after the government first called for the break-up of the telecoms group, initially resisted by NTT, and nine years after the privatisation of

NTT. It eventually agreed to the break-up in return for being allowed to form a holding company to keep top management and research and development under one roof.

The deal is expected to make NTT an attractive partner for foreign service providers, stimulate competition - NTT has a near-monopoly of local calls in Japan - and prompt mergers or alliances among the country's three independent international telephone companies.

NTT's entry into the international market will put pressure on KDD, IDC and ITJ - Japan's international service providers - to join forces or seek alliances with other carriers. None is large enough to



Junichiro Miyazu, confident NTT will be competitive

compete effectively against global giants such as AT&T or British Telecommunications.

The break-up is expected to stimulate greater cost-cutting which could lead to lower domestic phone charges.

FT WEATHER GUIDE

Europe today
Ireland, Scotland and south-west Norway will have some rain. The northern North Sea will have gale-force southerly winds. Sardinia and most of the French mountains will have rain and snow above 1,600 metres. Spain and Portugal will have cool and unsettled conditions. Most central and eastern parts of Europe will be calm with cloud and isolated outbreaks of drizzle or snow.

Five-day forecast
An area of central Europe to the Low countries will be calm and cloudy. Northern Ireland will be cloudy while southern areas will have some sunny periods. Central and northern Italy will have some rain. Extreme south-eastern parts of Europe will be sunny and cool.

Warm front Cold front Wind speed in KPH

TODAY'S TEMPERATURES

| | | | | | | | | | | |
|---------|--------------|-----------|------------|----------|--------------|-----------|-------------|-----------|--------------|-----------|
| Maximum | Beijing | sun 3 | Caracas | fair 28 | Faro | show 12 | Madrid | cloudy 7 | Rangoon | fair 31 |
| Minimum | Belfast | rain 9 | Cairo | fair 5 | Frankfurt | fair 5 | Melbora | show 14 | Rosario | fair 28 |
| | Belgrade | cloudy 3 | Casablanca | rain 15 | Geneva | cloudy 5 | Malta | cloudy 20 | Sao Paulo | fair 17 |
| | Berlin | cloudy 3 | Chicago | cloudy 2 | Gibraltar | rain 12 | Manchester | cloudy 5 | Rome | fair 17 |
| | Bermuda | show 10 | Cologne | fog 7 | Glasgow | rain 8 | Montreal | cloudy 30 | S. Francisco | cloudy 16 |
| | Bogota | cloudy 5 | Dakar | fair 27 | Hamburg | cloudy 4 | Melbourne | cloudy 18 | Sydney | rain 23 |
| | Bombay | sun 15 | Dallas | sun 22 | Helsinki | cloudy 3 | Mexico City | cloudy 24 | Singapore | rain 31 |
| | Brussels | fog 6 | Delhi | fair 23 | Hong Kong | fair 22 | Miami | thund 29 | Stockholm | fair 1 |
| | Buenos Aires | cloudy 18 | Dublin | sun 28 | Honolulu | sun 27 | Manila | fog 8 | Strasbourg | cloudy 3 |
| | Budapest | cloudy 2 | Dubai | sun 28 | Houston | cloudy 11 | Montreal | show 0 | Sydney | rain 23 |
| | Cairo | fair 4 | Dublin | driz 8 | Jakarta | cloudy 22 | Moscow | cloudy 0 | Taipei | rain 13 |
| | Calcutta | fair 3 | Dubrovnik | fair 15 | Jerusalem | cloudy 10 | Munich | fog 1 | Tel Aviv | show 20 |
| | Cape Town | rain 14 | Edinburgh | cloudy 5 | Kanari | sun 27 | Nairobi | thund 28 | Tokyo | cloudy 12 |
| | | | | | Kuala Lumpur | fair 28 | Naples | fair 14 | Toronto | show 0 |
| | | | | | Las Palmas | show 21 | Nassau | fair 28 | Vancouver | rain 6 |
| | | | | | Lima | show 23 | New York | show 6 | Venice | cloudy 3 |
| | | | | | Lisbon | show 11 | Niiza | rain 15 | Vienna | cloudy 3 |
| | | | | | London | cloudy 9 | Oslo | cloudy 2 | Warsaw | rain 1 |
| | | | | | Luxembourg | fair 4 | Osaka | cloudy 2 | Washington | rain 10 |
| | | | | | Lyon | fair 8 | Paris | fair 8 | Wellington | cloudy 15 |
| | | | | | Madeira | show 18 | Prague | cloudy 1 | Whirring | show 6 |
| | | | | | | | | | Zurich | cloudy 5 |

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

We wish you a pleasant flight.

Lufthansa

THE LEX COLUMN

Greenspeak

Financial markets gave the game away yesterday. It is far from clear that Mr Alan Greenspan's reference to their "irrational exuberance" was anything more than a typically delphic utterance. But the global sell-off he precipitated reveals a deep-seated fear that the extended bull run on Wall Street is living on borrowed time. Given that US share prices look stretched on most measures, this is hardly surprising.

Ironically, although the weaker-than-expected US labour report prevented a full-scale rout, the same report holds within it the seeds of a possible future correction. Short term, it provides telecommunications with an excuse to delay a decision on interest rates until it sees the strength of consumer spending over Christmas and whether Congress tightens fiscal policy. Longer term, however, the rising wage pressures revealed in the report spell trouble for Wall Street. Higher wages will eventually show up either in increased inflation or shrinking profits. Given the difficulty producers have had in passing on price rises, the latter seems more likely. In that case, bonds look a better investment than equities.

If Wall Street has dealt for now with its jittery, the same may not be true for the City. Not only is there next week's monetary meeting, which could bring a rise in interest rates, but the feeble condition of the Tory party, now without a majority and faced with a further by-election, will test investors' nerves.

So, after 14 years of wrangling, Japan's largest company is to be broken up - sort of. In fact, Japan's ministry of posts and telecommunications, which has been pushing for Nippon Telegraph and Telephone to be split up to promote competition, has had to swallow a compromise. The group will be broken into one long-distance and two regional businesses; but all three will be owned by a single holding company. Enhanced transparency should make it easier for rivals to gain access to NTT's network on fair terms, but not as easy as under a clean break-up.

In exchange for agreeing such a quasi-split, NTT has gained an important prize: access to the international market. Hence yesterday's rise in its shares, despite generally terrible market conditions. How,



though, will NTT exploit this opportunity? Building its own international network would take too much time, putting it further behind in a race where it has already started late. On the other hand, there is not much to buy, at least in the important US market: both MCI and Sprint have already been snapped up, while AT&T is presumably too big even for NTT.

The most likely strategy is therefore to form alliances. With its 60m Japanese customers, NTT would certainly be a catch. It is hardly surprising BT has been wooing it for nearly a decade. Boosted up with the MCI acquisition, BT will be a handsome suitor. But, with AT&T and Deutsche Telekom/France Telecom also in the game, NTT will be able to pick its groom.

NTT

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BA/American

For all its threatening rhetoric, Britain has in effect given the green light to BA's planned alliance with American Airlines. Fortunately, the proposals should also do a reasonable job of constraining the deal's anti-competitive implications.

The number of Heathrow slots allocated to transatlantic flights would be increased by 23 per cent, with all the increase going to competitors. And in a particularly piquant touch, BA would have to allow rivals into its air miles scheme.

That said, BA is right not to kick up much of a fuss. BA and American would be giving up only around 5 per cent of their Heathrow slots. And crucially, there is no requirement that they should give up slots used for transatlantic flights; they could easily hand over slots used

for barely-profitable short-haul routes instead. With luck, they should even be able to sell them for handsome prices.

What should investors conclude? That the biggest potential roadblock to the alliance has been removed at an affordable price. The marriage does still face plenty of other potential obstacles; in particular, a new US-UK treaty has to be negotiated. But although the UK government proposals will not silence American's US rivals, they should provide enough incentive for the US government to do a deal. BA shares, depressed by yesterday's general malaise and factoring in hardly anything for the alliance's potential benefits, look an excellent bet.

BTR

BTR's lone stand against a collapsing FTSE 100 Index was less a vote of confidence in its trading statement than a collective sigh of relief that there was nothing worse. The conglomerate has underperformed the market by almost 35 per cent in the past year, despite the arrival of a new management team and strategy.

Yesterday's statement gave little evidence of any momentum other than the usual seasonal bias towards second-half profits. But it suggested the worst is over.

BTR's challenge is achieving sales growth from its reduced portfolio of businesses without giving away much of its already impressive 20 per cent profit margins. This will take time. But the £246m restructuring programme is on target, and the £100m spent this year alone, the automotive systems division, which has been the biggest problem area for the group this year, is already showing signs of recovery.

The management should not need to do much to gain a re-rating. BTR shares are trading at a prospective price/earnings ratio more than 20 per cent below the market average. Yet profits are predicted to grow at an average rate next year, and the shares offer exposure to emerging markets and a number of high-quality engineering businesses. The group recently set out a corporate vision for 2000 and investors are clearly concerned that it will take that long to resolve its problems. If BTR can show real evidence to the contrary, its shares should be in for a significant rally.

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